



An Audit of the **Texas A&M University System**

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Glenn Hegar
Texas Comptroller of Public Accounts



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Executive Summary

Purpose and Scope

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

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Sept. 1, 2019, through Aug. 31, 2020.

Background

The Texas A&M University System was created by the Texas Legislature in 1948 to manage the evolution of a statewide educational, research and service system. Today, the Texas A&M System provides oversight and leadership for 11 universities and eight state agencies.

Responsibilities include systemwide planning, coordination and execution of the policies of the Texas A&M University System Board of Regents.

**Texas A&M University System
website**

<https://www.tamus.edu/>

Audit Results

The System largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with fixed asset management, grants or purchase transactions. However, the System should consider making improvements to its payroll, contracting and travel processes and system security.

Auditors did not reissue any findings from the prior audit, which was issued in May 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 reporting to HRIS. • Incorrect state effective service date and underpayment of longevity pay. 	Compliant, Findings Issued
<u>Purchase, Procurement, Contract and Payment Card 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 verification. • Failure to report to the vendor performance tracking system. • Contract not reported to the Legislative Budget Board. • Missing nepotism disclosure statement. • Missing required contract provision. • Incorrect payment of Texas state sales tax. • Missing documentation of warrant hold checks conducted. 	Compliant, Findings Issued
<u>Travel and Travel Card Transactions</u>	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Lack of conservation of state funds for travel. • Missing proof of payment for travel expense. • Missing advance approval for out-of-state travel. • Comptroller approval of travel voucher form not obtained. 	Compliant, Findings Issued
<u>Targeted Analysis</u>	Did the coding of payment transactions comply with Comptroller requirements?	Incorrect Texas identification number used	Compliant, Findings Issued
<u>Fixed Assets</u>	Were tested assets in their intended locations?	No issues	Fully Compliant



Area	Audit Question	Results	Rating
Grants	Did grant payments comply with state laws and regulations pertaining to grants/loans and pertinent statutes?	No issues	Fully Compliant
<u>Security</u>	Have System employees been properly granted access to Comptroller systems?	Confidential Treatment of Information Acknowledgment form missing	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

Key Recommendations

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

- The System must ensure that all payroll and personnel financial transactions are reported to HRIS accurately, timely, and in the manner, frequency and form required by the Comptroller's office.
- The System must ensure that the state effective service dates for employees are correct, and should enhance internal controls to prevent incorrect longevity payments.
- The System must report all applicable contracts to the Vendor Performance Tracking System (VPTS).
- The System must conduct all applicable Vendor Compliance Verification (VCV) searches before any purchase, contract award, extension or renewal. Staff must retain dated proof of the search results as evidence, and must include it in the procurement file.
- The System must report contracts to the Legislative Budget Board in accordance with the GAA.
- The System must ensure the nepotism disclosure statement is completed and included in the contract file.
- The System must ensure all required contract provisions are included in the contract.



- The System must ensure it does not pay a tax or fee if it is legally exempt by presenting its tax exemption certificate or other documentation to the merchant at the time of purchase.
- The System must ensure warrant hold checks are properly conducted and documented.
- The System must conserve state funds by ensuring each travel arrangement is the most cost effective considering all relevant circumstances.
- The System must retain proof of payment for all travel expenses.
- The System must obtain and retain advance approval for out-of-state travel.
- The System must ensure the travel voucher template or form used by all A&M system members and components includes all information fields required by the Comptroller's policies and procedures.
- The System should make every effort to obtain and use the correct vendor-specific payee number (a Texas identification number, or TIN) when requesting reimbursement from the state's treasury into local funds.
- The System must ensure all users of Comptroller systems sign a Confidential Treatment of Information Acknowledgment (CTIA) form before being granted access.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$278,439.17 from a group of 20 employees and 80 payroll transactions to ensure the System complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed the following exceptions in this group of transactions. Additionally, a limited sample of 11 voluntary contribution transactions was audited with no exceptions identified.

Incorrect Reporting to HRIS

Auditors identified five employees in the sample whose salary actions were not accurately reported in the Human Resource Information System (HRIS). These employees' merit increases were not reported as salary actions. In addition, one of the employees had payment amounts that were not accurately reported. Only the amount paid with appropriated (state) funds was reported rather than the employee's full salary.

Per the System, it implemented a new payroll system and the integration that was developed for HRIS reporting caused the error. It is working with IT to bring the new payroll system into compliance with state reporting requirements.

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

Recommendation/Requirement

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

System Response

The Texas A&M System agrees with this finding and understands the importance of HRIS reporting. This is an integration issue and we are working with our IT team to implement a solution.



Incorrect State Effective Service Date and Underpayment of Longevity Pay

Auditors identified one employee in the sample with an incorrect state effective service date in the System's internal payroll/personnel system. The System omitted some of the employee's service time, which resulted in an incorrect effective service date for the employee and an underpayment of longevity pay.

The System stated this was caused by a calculation error and staff is correcting the error in the HR/payroll system. The System is reimbursing the employee for the underpayment.

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 record it properly or risk incorrect longevity and/or hazardous duty pay. Also, employees may receive longevity pay for the month when they have accrued 24 months of lifetime service credit, but only if their anniversary falls on the first day of the month. Otherwise, the employees begin receiving longevity pay on the first of the following month. See [Texas Payroll/Personnel Resource - Non-Salary Payments - Longevity Pay](#) and [Texas Payroll/Personnel Resource - General Provisions - Lifetime Service Credit](#).

Recommendation/Requirement

The System must correct the state effective service date for the employee and should review and update its internal controls to prevent incorrect longevity payments. The System must compensate the employee for the underpaid amount in accordance with [Texas Payroll/Personnel Resource - General Provisions - Correcting Underpayments of Compensation](#).

System Response

The Texas A&M University System agrees with this finding. An audit of the employee's service was performed and the 25 days of state service have been added for the employee. Agency 710 has implemented a new payroll system, Workday HCM which allows for the calculation of days and will prevent this from occurring in the future.

Purchase/Procurement, Contract and Payment Card Transactions

Auditors selected two contracts totaling \$7,655,000 for review and developed a sample of two contract payments totaling \$1,549,713.75 to ensure the System complied with the GAA, [eXpendit \(FPP I.005\)](#), its own contract and procurement policies and procedures, and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$6,155,000	Construction Services	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"> Missing vendor compliance verifications. Missing required contract notification to LBB. 	No exceptions
Contract B	\$17,275,765.88 (only \$1,500,000 in state funds)	Insurance Brokerage Service	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"> Missing nepotism disclosure statement. Missing vendor compliance verifications. Failure to report contract to LBB. Failure to report to VPTS. 	No exceptions

Auditors developed a sample of 48 purchase transactions totaling \$6,225,308.84 to ensure the System complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

Auditors developed a sample of three book purchase transactions totaling \$477.07 to ensure the System complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

Auditors developed a sample of 13 payment card transactions totaling \$11,394.23 to ensure the System complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed exceptions in these transactions.

Missing Vendor Compliance Verification

The System was unable to provide documentation for some of the vendor compliance verification (VCV) checks for both contracts selected for review. The contracts were missing:

- The Iran, Sudan and foreign terrorist organization checks. The System did not retain documentation that staff conducted these checks before entering into the contracts. 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. The Texas Safekeeping Trust Company maintains the divestment lists and posts them to the [Comptroller's Divestment Statute Lists](#). Agencies cannot award a contract to a vendor that is in violation.



- Warrant hold check. The System did not retain documentation that staff verified the vendors' warrant hold status before executing the contracts. If a vendor is on warrant hold, the System may not enter into a written contract with that vendor unless the contract requires the System's payments under the contract to be applied directly to eliminating the person's debt or delinquency. The requirement specifically applies to any debt or delinquency, regardless of when it arises. See [Texas Government Code, Section 2252.903\(a\)](#).

According to the System, its accounting system checks state holds from a hold file received daily from the Comptroller's office. The System withholds payments if a vendor is on state hold and releases them when the hold is cleared. The System provided documentation that its accounting system has been programmed to perform a hold status check when processing payments that come from local/institutional funds. This check covers payments made via electronic funds transfer (ACH) as well as paper checks.

A hold check at the time of payment is an adequate control to help prevent payments from being released to persons indebted to the state. However, Texas Government Code, Section 2252.903 requires the hold check to be performed earlier, at the time of contract execution for payments made with local funds, and for payment card purchases over \$500, not at the time of payment. For additional information, see [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

Recommendation/Requirement

The System must conduct each applicable VCV check before any purchase, contract award, extension or renewal. Staff must retain dated proof of the search results in the procurement file.

System Response

The Texas A&M University System agrees with this finding and we have implemented a more detailed process to better track and complete all reporting requirements through the use of checklists, including documentation. This will help to ensure the vendor compliance checks are completed prior to contract execution.

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

For one contract selected for review, the System did not report to the VPTS in accordance with [Texas Government Code, Section 2155.089](#) after the contract ended. The contract originally became effective on Oct. 20, 2015, and was renewed four times with a final expiration date of Aug. 31, 2020. However, the System did not report the vendor's performance to the VPTS at the end of the fourth renewal, and indicated it believes it was exempt from this requirement.



Institutions of higher education are required to report vendor contract performance to VPTS on contracts that were entered into on or after Sept. 1, 2015, and were solicited before Sept. 1, 2021. Per [Texas Education Code, Section 51.9335\(d\)](#), although Texas Government Code, Title 10, Subtitle D (which includes Section 2155.089) does not apply to the acquisition of goods and services made by an institution pursuant to Texas Education Code, Section 51.9335, Section 51.9335(d) does not exempt institutions from reporting under Texas Government Code, Section 2155.089 since contract reporting occurs after the acquisition process is completed.

For contracts that were solicited after Sept. 1, 2021, [Senate Bill 799](#), 87th Legislature, Regular Session, added a clause to [Texas Government Code, Section 2155.089\(c\)\(3\)\(C\)](#), stating that Section 2155.089 does not apply to a contract entered into by a university system or an institution of higher education. The Comptroller's office encourages institutions of higher education to continue to report to VPTS as a procurement best practice. The Statewide Procurement Division administers the VPTS for use by all agencies and relies on agencies' participation to gather information on vendor performance.

Recommendation/Requirement

The System must report purchases and contracts that were solicited before Sept. 1, 2021, to VPTS to identify suppliers demonstrating exceptional performance, help purchasers make a best-value determination based on past performance, and protect the state from vendors with unethical business practices. Reporting also identifies vendors with repeated delivery and performance issues, provides performance scores in four measurable categories for Centralized Master Bidders List (CMBL) vendors, and tracks vendor performance for delegated and exempt purchases.

System Response

The Texas A&M University System agrees with this finding. No action is needed since Senate Bill 799, 87th Legislature added a clause which exempts a university system and institutions of higher education from Texas Government Code 2155.089 beginning in fiscal year 2022.

Contract Not Reported to the Legislative Budget Board (LBB)

One contract selected for review was not reported to the LBB. According to the General Appropriations Act (GAA), Article IX, section 7.04(c) in effect at the time the contract was awarded, a state agency or institution of higher education must report contracts expected to exceed \$50,000 to the LBB before the 30th calendar day after contract award or amendment, modification, renewal or extension. A state agency or institution of higher education receiving an appropriation under the GAA must comply with this section for expenditures using any funding source, including a contract that only non-appropriated funds will be used for.



Recommendation/Requirement

The System must review and update its contracting procedures to ensure staff reports contracts to the LBB in accordance with the GAA.

System Response

The Texas A&M University System agrees with this finding and we have implemented a more detailed process to better track and complete all reporting requirements through the use of a checklist. This will help to ensure that for all applicable contracts, LBB reporting is completed within the timeline outlined in the GAA.

Missing Nepotism Disclosure Statement

For one of the contracts selected for review, the System did not complete the required nepotism disclosure statement.

According to [Texas Government Code, Sections 2262.001\(5\)](#) and [2262.002](#), institutions of higher education are exempt from the requirements of Chapter 2262. However, Section [2262.004\(d\)](#) states that Section 2262.004, which requires nepotism disclosures from purchasing personnel, does apply to institutions of higher education. For contracts valued at \$1 million or more, all purchasing personnel working on the contract must disclose any relationship with the selected vendor (or any employee, stockholder, contractor, etc.) to the administrative head of the agency. This disclosure statement is usually made on a form developed by the State Auditor's office, but can be provided using other forms developed or chosen by the agency.

Recommendation/Requirement

The System must review its contracting procedures to ensure that contracting personnel complete the required disclosure statements. This includes the purchaser who issues the solicitation, evaluators who review the bids or proposals from vendors, as well as members of management who approve the contract award and execute the contract.

System Response

The Texas A&M University System agrees with this finding and we have implemented a more detailed process to better track and complete all verification, reporting, and disclosure requirements. This will help to ensure the necessary disclosure statements (nepotism, conflict of interest, etc.) are completed.

Missing Required Contract Provision

One contract was missing a required contract provision. [Texas Government Code, Chapter 2271](#), effective Sept. 1, 2017, became applicable when the contract was renewed for fiscal 2018. While this statute does not require institutions of higher



education to retain proof that a vendor is not on the Comptroller-maintained divestment lists, it does require the contract to contain written verification from the vendor that it does not boycott Israel and will not boycott Israel during the term of the contract, if: the vendor has 10 or more full-time employees; the contract is valued at \$100,000 or more; and the contract will be paid wholly or partly from public funds.

Recommendation/Requirement

The System must review and update its contract templates to ensure applicable provisions required by statute are included.

System Response

System Contract Administration has submitted updated contract templates to The System Office of General Counsel for review and expects to receive approval within 60 days. This updated contract template will ensure all required clauses are included within any future agreements.

Incorrect Payment of Texas State Sales Tax

In two out of 13 payment card transactions, auditors noted that the System incorrectly paid sales tax to the vendor. Both vendors are located in and transact business in the state of Texas.

According to [eXpendit – Taxes and Fees Assessed by Governmental Entities](#), a state agency may not voluntarily pay a tax or fee if the agency is legally exempt from paying it. A taxable item sold, leased or rented to the state, or a taxable item stored, used or consumed by the state is exempt from the taxes and surcharges assessed by local taxing jurisdictions (cities, counties, special purpose districts and transit authorities). According to [34 Texas Administrative Code Section 3.322\(b\)\(2\)](#), nonprofit educational or government entities “whose activities are devoted solely to systematic instruction,” such as the System, are entities that must prove exempt status, generally by showing an exemption certificate as described in [34 Texas Administrative Code Section 3.287](#).

Recommendation/Requirement

The System must use its tax-exempt status for purchases from merchants who are located in or do business in Texas. The System must present its tax exemption documentation at the time of purchase to ensure it does not pay a tax or fee when it is legally exempt.

System Response

The Texas A&M University System agrees with this finding and we comply with the sales tax rules. Texas sales tax was incorrectly charged and paid on 2 of the 1,332 vouchers paid during the audit period. These two expenses will be moved to a non-state funded account



in January 2023. TAMUS training and guidelines focus on the cardholder's responsibility to provide a tax exemption certification and verify the vendor has not charged sales tax. In the event the vendor refuses the sales tax exemption, the cardholder is instructed to report to Financial Management Operations. In our weekly communication of business updates and our monthly business process webinar, we will remind the cardholders of the guidelines. In addition, we have instructed our accounts payable auditors to be more diligent in identifying sales tax paid in error.

Missing Warrant Hold Check Documentation

According to [eXpendit – Restricted Expenditures – Persons Indebted to the State](#), agencies and institutions of higher education must check the vendor's hold status for payment card purchases over \$500. However, the System was unable to prove staff had conducted the searches for nine payment card transactions over \$500.

The System confirmed that both its guidelines for disbursement of funds and its payment card training require purchasers to check warrant hold status for payment card purchases over \$500. However, the System does not require cardholders to retain dated proof that they performed the hold checks.

Recommendation/Requirement

The System must modify its procedures to ensure staff documents warrant hold checks. Staff must check the warrant hold status for payment card transactions over \$500 and must retain the dated results in the procurement file.

System Response

The Texas A&M University System understands this requirement and provided training and guidelines requiring the cardholder to verify the merchant is not on state hold. The guidelines will be updated to require the cardholder to document the vendor was not on hold at the time of purchase and attach documentation to the charge for transactions greater than \$500. In addition, we will train our accounts payable auditors to verify the appropriate documentation has been attached for those transactions.

Travel and Travel Card Transactions

Auditors developed a sample of 10 travel transactions totaling \$5,451.50 and eight travel card transactions totaling \$9,109.50 to ensure the System complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.



Lack of Conservation of State Funds for Travel

For one travel transaction, the hotel rate exceeded the General Services Administration's per diem rate for lodging for the month and destination of travel. The travel file did not document the reason for using the higher-rate hotel.

[Texas Government Code, Section 660.007\(a\)](#) and [Textravel](#) require state agencies to minimize travel expenses by ensuring each travel arrangement is the most cost effective considering all relevant circumstances.

Recommendation/Requirement

The System must conserve state funds by making travel arrangements that are the most cost effective considering all relevant circumstances. If a travel arrangement that is not the lowest cost is still the most cost effective due to specific circumstances, staff must clearly explain and document the circumstances in the travel file.

System Response

The Texas A&M University System agrees with this finding and understands the importance of conserving state funds for travel. There was one instance of this finding out of the 1,575 expense reports processed during the audit period. Current training and guidelines instruct travelers to book hotels within the GSA rate for state-funded travel. In our weekly communication of business updates and our monthly business process webinar, we will remind the travelers of the GSA limit for hotels. In addition, we have instructed our accounts payable auditors to be more diligent in identifying GSA overages. We are also implementing a new itinerary builder tool in Concur in January of 2023 to help automatically identify any hotel charge exceeding the GSA rate, which will help the traveler and the accounts payable auditors.

Missing Proof of Payment for Travel Expense

The System did not retain proof of payment for travel expenses in one travel transaction. An employee submitted an invoice for a one-night hotel stay, but the invoice did not show a zero balance, and the employee did not provide proof that payment had been made or a credit card had been charged to settle the invoice balance.

According to [Textravel - Lodging receipt requirements](#), state employees must provide proof they incurred a lodging expense to receive reimbursement. This normally takes the form of a lodging receipt, which must include proof of payment.

The System indicated that it did not receive any other hotel invoice or receipt from the traveler.



Recommendation/Requirement

The System should review its travel reimbursement procedures to ensure travel files contain complete and accurate documentation of payments. For lodging expenses, state agencies and institutions of higher education should retain a zero-balance hotel invoice or receipt, issued in the traveler's name, to prove the traveler is eligible for reimbursement.

System Response

The Texas A&M University System agrees with this finding and understands the importance of documentation for travel expenses. There was one instance with an error out of the 1,575 travel reports processed during the audit period. In this instance, the receipt contained the credit card on file but did not show a zero balance. The training and guidelines instruct the traveler to retain a receipt showing a zero balance. Accounts payable auditors are trained to verify a zero-balance receipt is attached. We have instructed our accounts payable auditors to continue to scrutinize the receipts for zero balance.

Missing Advance Approval for Out-of-State Travel

The documentation for one travel transaction for an out-of-state conference did not include advance approval, which is required by statute. The System indicated that the traveler was no longer employed with the agency, and the travel request and approval record were not in the travel management system.

For two of the travel transactions selected for review, the System provided documentation showing that one trip was to attend an out-of-state meeting with other A&M personnel, and the other was for a conference seminar with a professional organization. The System used state funds to reimburse airfare and airline fees for these trips. However, the documentation did not include the advance approvals required by statute. According to the System, the travelers did not submit requests for advance approval.

According to [Texas Government Code, Section 660.003\(e\)\(4\)](#), a state agency may only pay for business-related travel expenses incurred outside Texas if the travel was approved in advance in accordance with the policy of that agency. The System confirmed that its own policies and procedures do require advance approval for out-of-state travel.

Recommendation/Requirement

The System must ensure staff documents travel approvals, and travel files should include advance approval for out-of-state travel. The documentation should clearly note the manager or supervisor who approves the travel, should include the approval date, and should be retained in the travel files in accordance with retention policy.



System Response

The Texas A&M University System agrees with this finding and understands the importance of advance approvals for out-of-state travel. There were 2 instances where this approval was not documented during this audit period. The training and guidelines require travelers to obtain advanced approval for all out-of-state travel. We have been using a paper request form; beginning in January, we will require employees to gather the approval in our travel expense system to ensure the approval documentation is attached to the travel record for state-funded travel. In our weekly communication of business updates and our monthly business process webinar, we will remind the travelers of the requirement to document the approval of the out-of-state travel. We also have an automated solution that is being implemented in Concur and will require an approved travel request for the trip to be attached to the expense report/travel voucher.

Comptroller Approval of Travel Voucher Form Not Obtained

The travel vouchers provided by the System for audit review, as well as those provided by several other A&M system members during the fiscal 2021 and 2022 audit cycle, were not approved by the Comptroller's office. Specifically, some required information fields were missing from the System's travel voucher template.

According to [Texas Government Code, Section 660.027\(c\)-\(e\)](#) and [Textravel – Alternative travel voucher](#), any travel voucher other than the official Comptroller's office [Travel Voucher form \(73-174\)](#) must be approved by the Comptroller's office before use. Agencies (including institutions of higher education) must also retain documentation of this approval in their files.

Recommendation/Requirement

The System must coordinate with the Comptroller's office to ensure the travel voucher template or form used by all A&M system members and components includes all information fields required by the Expenditure Assistance section of the Comptroller's office. Once the required modifications have been made, the System must retain written documentation of the approval by the Comptroller's office.

System Response

The Texas A&M University System will work with the Comptroller's Office on this form. Initially when TAMUS started using the Concur software, the expense report and supporting documentation was approved by the Comptroller's Office. TAMUS is currently implementing a tool in Concur called "Itinerary Builder" to add additional trip details required by the Comptroller to approve the Concur expense report/travel voucher. Implementation is progressing and the plan is to submit the expense report to the Comptroller in late January 2023 for approval.



Targeted Analysis

Incorrect Texas Identification Number (TIN) Used

In a targeted analysis of 245 charge card transactions, auditors noted the System used the charge card vendor's TIN 69 times instead of the original vendor's TIN, and used the generic payment card TIN 176 times. When requesting reimbursement from the state's treasury into local funds (using T-code pair 247/904), agencies should use the vendor-specific payee number on the T-code 247 lines. Per [*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\) \(login required\)*](#), the generic TIN should only be used after all efforts to obtain a vendor-specific payee number have been exhausted. Using an incorrect payee number or overusing the generic payee number could result in inaccurate expenditure reporting. Agencies should only use the charge card vendor's TIN when requesting payment directly from the state's treasury to the charge card vendor, not when requesting reimbursement from the state's treasury into local funds.

System staff tried to contact the merchants, but did not always receive timely responses or complete W-9 information to be able to set them up as vendors. Also, many of the merchants were only used one time.

The System also showed auditors that its accounting system has been programmed to retrieve vendor-specific TINs from a master file if the vendor had been set up and assigned a number in the Texas Identification Number System (TINS). Otherwise, the System uses the generic payment card TIN.

Auditors also noted that of these 245 transactions, the System paid 30 vendors more than once. Of those, the System paid 20 more than twice, and paid nine vendors 10 or more times. These nine vendors accounted for 121 transactions.

A vendor is required to have a TIN in order to receive payments by direct deposit or warrant from the Comptroller's office via the Uniform Statewide Accounting system (USAS). In general, every vendor that intends to bill agencies for goods, services, refunds, public assistance, etc. must submit an [*Application for Texas Identification Number \(form AP-152\)*](#), or an alternative form developed by the agency, to be assigned a TIN. See [*TexPayment Resource - Application for Texas Identification Number*](#) for detailed instructions. State agencies should set up vendors in TINS, especially those vendors the agency uses or expects to use repeatedly.

Additionally, in a targeted analysis report of miscoded transactions, auditors noted that three transactions had miscoded vendor TINs. The System coded both the vendor and the reimbursement vendor with its own repeater-number TIN but different mail codes. After paying vendors from local funds for systemwide assessments/charges, the System should use the TINs of the actual vendors who provided the services on the T-code 247 lines.



For one of the travel transactions, the System used an incorrect TIN. The System coded the T-code 247 line of this transaction with the employee TIN of an office manager who makes travel arrangements for the board of regents instead of using the traveler's TIN. Per [FPP A.043 \(login required\)](#), agencies must use the TIN of the actual traveler to request reimbursement from treasury funds to the local fund.

Recommendation/Requirement

The System should make every effort to obtain and use the correct vendor-specific payee number (TIN) when requesting reimbursement from the state's treasury into local funds. The System must search TINS to see if vendors have existing payee numbers set up, and if not, it should set up the vendors in TINS.

The System must ensure travel transactions use the TIN of the actual traveler. If the traveler is not a regular state employee, the System should consult the Comptroller's Expenditure Assistance and Payment Services sections to code the reimbursement request accurately.

System Response

The Texas A&M University System understands this finding and understands the importance of expense transparency by vendor. TAMUS' current guidelines are to match each merchant transaction to an established vendor record in our accounting system/USAS. When that merchant does not have an established vendor record in our accounting system or USAS we reach out to the merchant to attempt to obtain a W-9; going forward, we will document this attempt. If we are unsuccessful in obtaining a W-9 from the merchant, we will use the Texas Credit Card Procurement Program (as referenced in Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements FPP A.043). We do attempt to contact the merchant and we only used the generic TIN on 3.4% of our procurement card transactions during the audit period. We will begin retaining the documentation which will prove the attempts to contact the merchant. If the merchant fails to respond within a set time, we will proceed using the Texas Credit Card Procurement Program record.

In the finding referencing the capturing of the employee traveler name as the vendor record, the board of regents members were not captured as employees and are not employees in our HR/accounting system so Concur was not picking them up as the travelers. TAMUS is currently working on implementing a method to import the board members as employees/travelers into Concur. This will capture the board members' travel in the name of each board member and report them as the traveler to USAS.

Fixed Assets

Auditors reviewed a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of the assets. All assets tested were in their correct locations and properly recorded in the System's asset management module. Audit tests revealed no exceptions in these transactions.



Grants

Auditors developed a sample of 10 grant transactions totaling \$1,448,102.64 to ensure the System complied with the GAA, [Requirement to Publish Purpose of State Grants \(FPP S.010\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

Security

Confidential Treatment of Information Acknowledgment (CTIA) Form Missing

As a routine part of the security review, auditors evaluated the System's compliance with the requirement that all users of the Comptroller's statewide financial systems complete a CTIA form. When a new user needs access to Comptroller systems, the agency's security coordinator has the user read and sign the CTIA form. The agency's security coordinator keeps it on file for as long as the user has access to the systems plus five years. Audit tests revealed one employee who gained access to the systems before signing the CTIA form. The only form the System could find for that employee was from the employee's previous agency, Texas A&M University.

The unauthorized disclosure of confidential information or the unauthorized withholding of public information could lead to fines and/or imprisonment, according to [Texas Government Code, Sections 552.352](#) and [552.353](#).

Recommendation/Requirement

The System must enhance its procedures to ensure no user can access the statewide financial systems before signing a CTIA form, and that staff retains signed CTIA forms for the required period.

System Response

The Texas A&M University System agrees with this finding and understands the importance of the CTIA form. TAMUS provided a form for the same employee signed in 2012; however, the 2011 form was not found. We understand the importance of security and this form is required by our office as well as the Comptroller's Office prior to access being granted.

Internal Control Structure

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



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

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

The audit provides a reasonable basis for the findings set forth in this report. The System should implement the recommendations listed in the Detailed Findings of this report. It is the System's responsibility to seek refunds for all overpayments 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 System's documents comply in the future. The System 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

Jack Lee, Lead Auditor

Amanda Price, CFE, CTCD

Alberto Lañas, MBA, CTCM, CTCD



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 impaired 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.