



An Audit of the **University of Houston – Victoria**

**Audit Report #765-22-01
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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the University of Houston – Victoria (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, 2020, through Aug. 31, 2021.

Background

Established in 1973, the University of Houston – Victoria remains committed to providing quality, affordable education with courses leading to over 80 academic programs. The University prides itself on the personalized attention faculty and staff provide to its nearly 5,000 students looking to make their mark on the world.

University of Houston – Victoria
website

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


Audit Results

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

The auditors observed one repeat payroll issue from the previous audit conducted in January 2014. 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?	 Missing prior state service verification/incorrect state effective service date/incorrect longevity payment. <ul style="list-style-type: none"> • Incorrect lump sum payment. 	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"> • Purchase order created after invoice. • Missing purchase order. • Missing/incorrect sole source justification. • Missing State Auditor's Office nepotism disclosure statement. • Missing required contract clauses. • Missing vendor compliance verifications. • Contract amendments not processed in a timely manner. • Failure to report to the Vendor Performance Tracking System. • Failure to report and late/incorrect reporting to the Legislative Budget Board. • Incorrect amount paid. 	Compliant, Findings Issued
Grant Transactions	Did grant transactions comply with the GAA and state laws and regulations pertaining to grants?	No issues	Fully Compliant
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 University's internal system?	No issues	Fully Compliant
Targeted Analysis	Did the University comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant

 Repeat Finding



Area	Audit Question	Results	Rating
Internal Control Structure	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	Fully Compliant
Security	Are University employees who are no longer employed or whose security was re-voked properly communi-cated 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:

- Confirm the amount of lifetime service credit for employees and compute the correct effective service date to prevent incorrect longevity payments.
- Improve payroll processes to ensure correct calculations for payments of accrued vacation time.
- Enhance contract monitoring procedures to document the outcomes of any meetings with vendors, site visits, monitoring checklists or other monitoring activities conducted on each contract.
- Ensure staff retains all supporting documents for purchase/procurement and contract, such as:
 - A purchase order dated before services were rendered.
 - Appropriate justification for sole source and emergency purchases.
 - State Auditor's Office (SAO) nepotism disclosure form.
 - All required contract clauses.
 - Documentation of all vendor compliance verification checks conducted before the purchase or contract award.
 - Documentation reporting purchases over \$25,000 to the Vendor Performance Tracking System (VPTS).
 - Documentation reporting contract awards and purchases to the Legislative Budget Board (LBB).
- Review invoices for completeness and accuracy and compare them to the contract to ensure that payments do not exceed the amounts authorized in the contract and that all contractual obligations are met timely.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$193,223.01 from a group of 20 employees and 262 transactions to ensure the University complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed exceptions in this group of transactions. A limited sample of 10 voluntary contributions transactions was audited. Audit tests revealed no exceptions for this group of transactions.

Missing Prior State Service Verification/Incorrect State Effective Service Date/Incorrect Longevity Payment

Auditors identified five employees with incorrect months of state service credit in the University's internal payroll system resulting in incorrect longevity payments for four employees. The incorrect months of service credit resulted in two longevity overpayments of \$120 and \$1,340, and two longevity underpayments of \$1,080 and \$120.

During the audit, the University conducted the prior state service verification for two employees and provided the auditor with the required documentation to validate the correct pay amounts for the employees. According to the University, two employees were hired as faculty members and at that time did not require prior state service verification. For one employee, the state service date was entered incorrectly in the University's internal payroll system. In addition, the University calculated the prior state service date incorrectly for two employees. The University corrected the prior state service dates in its internal system during fieldwork.

When an agency hires an employee, the agency must research whether the employee has prior state employment. If prior state employment exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of incorrectly paying longevity. See [Texas Payroll/Personnel Resource - Non-Salary Payments - Longevity Pay](#).

Recommendation/Requirement

The University must continue to review the payroll/personnel records for all current and new employees to ensure any prior state service is properly verified and documented to prevent incorrect longevity payments. The University should consider using the [State of Texas Employment History Application](#) to check for additional prior state service and when additional state service is identified, should request prior state service verifications directly from the listed agency.

The University should consider recovering the overpayments in accordance with [Texas Government Code, Chapter 666](#) and must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40](#).



University Response

When an employee indicates on their application or onboarding paperwork that they have previously been employed with another State of Texas agency, we send them a Verification of All Prior State Service form. Previously, we were going by the information on the CV or resume and found that not all state agencies were reported. This form asks them to report all state agencies they have worked at prior to employment at the University.

Incorrect Lump Sum Payment of Accrued Vacation

Auditors identified one terminated employee's lump-sum payment for accrued vacation time was incorrectly calculated, resulting in a \$542.16 underpayment. According to the University, this was due to oversight.

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

Recommendation/Requirement

The University must improve its current payroll processes to prevent incorrect payments of accrued vacation time. The University should compensate the employee for the underpaid amount. See [34 Texas Administrative Code Section 5.40](#).

University Response

Payroll will continue to utilize the Terminating Vacation Spreadsheet; however, we have requested that toward the end of the fiscal year, the TVAC spreadsheet for the new FY be sent to calculate future holiday pay for those terminating/retiring towards the end of the fiscal year. If the new TVAC spreadsheet is not available, manual calculations are done to ensure the employee is paid the Holiday Pay, specifically Labor Day. Payroll also checks the spreadsheet to ensure all Holidays are getting picked up throughout the year, not just the issue with Labor Day.

Purchase, Payment Card and Contract Transactions

Auditors developed a sample of 20 purchase transactions totaling \$1,416,193.67 and two contracts with values of \$7,467,701.00 and \$175,000.00. In addition, a sample of seven contract payment transactions totaling \$2,933,601.02 were selected to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Using reports generated outside the sample, auditors selected 25 payment card transactions totaling \$57,633.21 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	\$7,467,701.00	Construction services	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"> • Missing SAO nepotism statement. • Failure to report to the Legislative Budget Board. 	<ul style="list-style-type: none"> • Contract amendments not processed in a timely manner. • Failure to report to the Vendor Performance Tracking System.
Contract B	\$175,000.00	HVAC services	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"> • Missing required contract clauses. • Missing vendor compliance verifications. • Late/Incorrect reporting to the Legislative Budget Board. 	Contract amendments not processed in a timely manner.

Purchase Order Created After Invoice

Auditors identified one purchase transaction for \$47,946.64 in which the purchase order was dated after services were rendered and after the final invoice was received. Using a Memorandum of Understanding signed in 2018 by the University of Houston System (System), the University created a purchase order on the original transaction for restoration services after a fire. However, the purchase order was not created at the time the services were requested. The University stated this was due to purchasing staff not following proper policies and procedures.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of the state agency and its officers to ensure that for each purchase document, the agency maintains necessary records to prove that each payment resulting from the document is legal, proper and fiscally responsible. Without a purchase order issued to the vendor at the time services are requested, it is difficult for the University to ensure that it is not overcharged or billed for goods or services beyond those agreed.

Recommendation/Requirement

The University must ensure the purchase order is created at the time the goods or services are requested from the vendor to verify payments are valid and to ensure a proper audit trail.



University Response

Together the Sr. Director of Finance/Controller and Purchasing Manager will be reviewing and updating all purchasing policies, procedures, and manuals to ensure they are up to date and provide more detailed procedures for the employee and purchasing manager to follow. All revisions will be sent out campus-wide, we will provide one-on-one training and/or group training at departments requests. We have already established a group called Q&A with Administration & Finance, this group will prepare a PowerPoint presentation and hold monthly meetings for the whole campus to attend in person or via TEAMS to discuss updates to policies, procedures, reminders, refresh on training courses, concerns and/or issues that arise in our departments. The first meeting was held on Oct. 28, 2022, one of the topics that was discussed within the Finance Department is the process of requisitions and purchase orders with emphasis on ensuring the purchase order is created at the time the goods or services are requesting. This PowerPoint presentation will provide useful links to training materials, policies, procedures, and state codes. The PowerPoint presentation will be saved on the Intranet for all employees to access after the meeting. If the Finance department identifies that the procedures were not followed, the individual or department will be required to submit an exception to policy explaining why the procedures were not followed and state what action will be taken to ensure adherence to policy and procedure in the future. The exception will need to be signed by their supervisor, the Sr. Director of Finance/Controller and CFO or President.

Missing Purchase Order

Auditors noted one purchase transaction for \$46,600 where the University failed to provide a signed purchase order. The University selected a vendor with whom it had an established contract; however, the existing contract's value of \$14,000 did not support the cost of the additional work requested. Additionally, no amendments were made to the contract. Without a signed purchase order on file, the University could not support the legality of the payment. The University attributed the missing purchase order to purchasing staff failing to maintain appropriate documentation.

Recommendation/Requirement

The University must maintain the required documentation to support the legality and fiscal responsibility of a payment. See [eXpendit - General Provisions - Responsibilities of State Agencies](#).

University Response

The Purchasing Manager will complete a quarterly audit of purchase orders by pulling the purchase order list out of PeopleSoft and verify that all signed purchase orders are saved on the shared drive. The audit form will be dated, signed and saved in the shared drive



purchase order file verifying that the audit was conducted and that all purchase orders have been saved for compliance. The quarterly audit will also need to be sent to the Sr. Director of Finance/Controller to verify the audit has been completed.

Missing/Incorrect Sole Source Justification

Auditors noted two purchase transactions where the University identified the acquisitions as sole source but did not maintain the appropriate written justification required by its purchasing manual. On one transaction, the University did not solicit vendors; instead, it selected a vendor that stated it had prior construction experience in a specialized field. This determination was made after the University contacted several vendors in the area. An explanation was provided on the University of Houston System Sole Source Justification form, but its reasoning did not support a sole source procurement. The other transaction did not have the required justification form on file. The University purchased proprietary software without researching if equivalent products were available. Independent research showed similar products on the market. The University stated this was due to the purchasing staff not following proper policy and procedure. An analysis of alternate specifications and a review of similar products and/or services should be conducted to allow competition among other vendors and ensure those products and/or services do not meet the University's need before identifying the acquisition as a sole source. If an incorrect procurement method is selected, the purchase may not result in the best value to the University or the state.

Recommendation/Requirement

The University must strengthen its procedures to accurately identify a sole source procurement and ensure the goods or services cannot be provided by more than one vendor. A resulting incorrect procurement method limits competition amongst all vendors and transparency.

University Response

Together the Sr. Director of Finance/Controller and Purchasing Manager will be reviewing and updating all purchasing policies, procedures, and manuals to ensure they are up to date and provide more detailed procedures for the employees and purchasing manager to follow. All revisions will be sent out campus-wide, we will provide one-on-one training and/or group training at departments requests. We have already established a group called Q&A with Administration & Finance, this group will prepare a PowerPoint presentation and hold monthly meetings for the whole campus to attend in person or via TEAMS to discuss updates to policies, procedures, reminders, refresh on training courses, concerns and/or issues that arise in our departments. The next meeting is scheduled for December 2, 2022, Sole Source Justifications will be one of the topics that will be discussed at this meeting. This PowerPoint presentation will provide useful links to training materials, policies, procedures, and state codes. The PowerPoint presentation will be saved on the intranet for all employee to access after the meetings.



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

Auditors identified one contract where the University failed to have procurement employees complete and sign nepotism disclosure statements. The University agreed and stated that this was due to procurement staff not following policy and procedure.

Procurement personnel is defined as an employee of a state agency who makes decisions on behalf of the agency or recommends any of the following:

- Contract terms or conditions on a major contract.
- Vendor to be awarded a major contract.
- Preparation of a solicitation for a major contract.
- Evaluation of 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 at least \$1 million sign the SAO disclosure statement for purchasing personnel located on the [SAO website](#) or similar documents, and must retain the signed statements in the contract file.

University Response

A procurement file checklist and master contract file checklist will be created to ensure proper procedures are followed and all required forms are saved in the master contract file, upon completion of the checklist. the Sr. Director of Finance/Controller will be required to review and sign both checklist that all documents are saved and procedures were followed.

Missing Required Contract Clauses

For two purchase transactions, auditors noted that the boycott Israel clause was not included in the contract. Additionally, for both contracts reviewed, auditors did not find the following statutorily-required contract clauses in the executed contract:

- Boycott Israel: [Texas Government Code, Section 2271.002](#).
- Foreign Terrorist Organization: [Texas Government Code, Section 2252.152](#).

Failure to include required contract clauses increases the risk that the University's contracts will be in violation of federal or state statutes and rules, which in turn increases the risk that the contracts and the University will be subject to legal challenge or regulatory action. The University agreed and stated that purchasing staff did not follow policy and procedure or consult with legal counsel.



Recommendation/Requirement

Auditors recommend the University consults its legal counsel and includes all statutorily required contract clauses in its contract templates to better protect the interest of the state. Omitted required clauses must have clear justifications from the University's legal counsel to explain why they were not included or applicable to the particular contract. The justification must be documented in the contract file. However, applicable statutorily required clauses should always be included in the contract.

University Response

The Sr. Director or Finance/Controller will work with UH System's legal counsel to ensure all required contract clauses are either in the contract agreement or approved addendums are provided for the vendors to sign. A master contract file checklist will be created to ensure proper procedures are followed and all required forms are saved in the master contract file, upon completion of the checklist, the Sr. Director or Finance/Controller will be required to review and sign both checklist that all documents are saved and procedures were followed.

Missing Vendor Compliance Verifications

Auditors noted that the University was unable to provide evidence of completed vendor compliance verifications (VCVs) for nine purchase transactions, 23 payment card transactions and one contract. The University stated that the VCVs were not completed due to purchasing staff not following policy and procedures, and these verifications will be incorporated into the procurement process.

Warrant Hold Check

Auditors noted that the University did not verify the vendor's warrant hold status before making the purchases. The University must check warrant hold status if payment is made with local funds or if a payment card purchase is over \$500. See [TexPayment Resource Hold Special Circumstances, Local Funds](#) and [Payment Card Purchases](#). The University cannot proceed with a purchase made with local funds or a payment card purchase over \$500 until the warrant hold has been released. For transactions involving a written contract, the warrant hold check must be performed no earlier than the seventh day before and no later than the date of contract execution if payments under the contract will be made with local funds. See [Texas Government Code, Section 2252.903\(a\)](#).

Iran, Sudan and Foreign Terrorist Organization List Check

The University was unable to provide proof staff conducted the Iran, Sudan and foreign terrorist checks for nine purchase transactions and one contract. Agencies may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, 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. See [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 VCVs 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

Together the Sr. Director of Finance/Controller and Purchasing Manager will be reviewing and updating all purchasing policies, procedures, and manuals to ensure they are up to date and provide more detailed procedures for the employees and purchasing manager to follow. All revisions will be sent out campus-wide, we will provide one-on-one training and/or group training at departments requests. A procurement file checklist will be created to ensure proper procedures are followed and all required forms are saved in the master contract file, upon completion of the checklist, the Sr. Director of Finance/Controller will be required to review and sign the checklist that all documents are saved and procedures were followed.

Contract Amendments Not Processed in Timely Manner

Auditors identified two contracts where the University did not process contract amendments to extend or define the contract terms. One contract, which began in August 2019, was to be completed within 426 calendar days; however, the contract is still ongoing, and no contract amendments to extend or define the contract terms to present day have been processed. By the defined term, the contract should have ended by mid-October 2020. Three contract amendments were processed after the contract should have expired. These change orders increased the dollar value and extended the work for 15 days in October 2020 on one change order and 10 days in February 2021 on another. Without a specific expiration date in the contract term, the services could continue indefinitely without the proper contract renewals. Indefinite contracts are generally prohibited unless there are legitimate reasons for longer terms. For the second contract reviewed, the initial term began July 2019 and ended August 2020. The University since has renewed the contract two additional times but failed to process contract renewals in a timely manner. Auditors observed that the University is allowing the contract to lapse before executing an amendment.

According to the University, contract amendments were not processed due to purchasing staff not following the University's policies and procedures at the time.



All contract amendments, changes, extensions and renewals should be documented and should conform to the contract and university processes, and both parties must agree to the changes. The University's Contract Administration Manual states that contract monitoring responsibilities include renewals if contracts allow for additional terms.

Recommendation/Requirement

The University must ensure that contract amendments for change of scope, schedule, payment, etc. are in writing and the University and the vendor agree to amend the contract. The University must ensure that procurement personnel execute amendments prior to the contract expiration date and that payments made on the contract do not exceed the contract value.

University Response

Together the Sr. Director of Finance/Controller and Purchasing Manager will be reviewing and updating all purchasing policies, procedures, and manuals to ensure they are up to date and provide more detailed procedures for the employees and purchasing manager to follow. All revisions will be sent out campus-wide, we will provide one-on-one training and/or group training at departments requests. Business Services with the assistance of the Sr. Director of Finance/Controller will update the contract administration policies and procedures to ensure proper contract procedures and amendments are followed. We have already established a group called Q&A with Administration & Finance, this group will prepare a PowerPoint presentation and hold monthly meetings for the whole campus to attend in person or via TEAMS to discuss updates to policies, procedures, reminders, refresh on training courses, concerns and/or issues that arise in our departments. The next meeting is scheduled for Dec. 2, 2022, Contract amendments will be one of the topics that will be discussed at this meeting. This PowerPoint presentation will provide useful links to training materials, policies, procedures, and state codes. The PowerPoint presentation will be saved on the intranet for all employees to access after the meetings.

Failure to Report to the Vendor Performance Tracking System

Auditors identified seven purchase transactions and one contract that were not reported to the Vendor Performance Tracking System (VPTS) as required for contracts over \$25,000. The University stated it believed institutions of higher education were exempt from this requirement and that the purchasing staff was not following the policy and procedure.

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 agencies are also encouraged to report vendor performance for purchases under \$25,000. Agencies submit the Vendor Performance form (VPF) electronically via the SPD web application



portal. See [Texas Government Code, Section 2155.089](#) and [Section 2262.055](#). While Senate Bill No. 799, 87th Leg., Regular Session, 2021, amended [Section 2155.089\(c\), Government Code](#), to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021, all of the transactions and contracts reviewed for this audit were solicited prior to the bill's implementation date.

Recommendation/Requirement

For solicitations that began prior to Sept. 1, 2021, the University must report purchases and contracts over \$25,000 to VPTS to identify suppliers demonstrating exceptional performance, aid purchasers in making a best value determination based on vendor past performance and protect the state from vendors with unethical business practices. Reporting should also identify vendors with repeated delivery and performance issues, provide performance scores in five measurable categories for Centralized Master Bidders List (CMBL) vendors, and track vendor performance for delegated and exempt purchases.

University Response

Per Government Code Chapter 2155.089, Reporting Vendor Performance (c) 3 (c):

(c) This section does not apply to:

(3) a contract entered into by:

(c) a university system or an institution of higher education, as those terms are defined by section 61.003, Education Code

Comptroller Response

While it may appear at first that Texas Education Code, Section 51.9335(d) exempts institutions of higher education from Government Code, Title 10, Subtitle D, such a broad exemption would conflict with the definition of "state agency" in Chapter 2151, which specifically includes such institutions. Due to that apparent conflict, the references to "acquisition" and "procurement" in Section 51.9335 must be read as limiting the scope of the exemption. Specifically, institutions of higher education are exempt from procurement provisions in Subtitle D but must follow the rest of the subtitle. Because the reporting of vendor performance under Section 2155.089 is not part of the procurement of goods and services and cannot possibly occur until the procurement process is complete, it is outside the scope of the 51.9335(d) exemption. In addition, the fact that the Legislature listed certain acquisition provisions that apply to institutions of higher education, Historically Underutilized Business (HUB) and procurement from persons with disabilities, further illustrates the distinction between the acquisition provisions in Subtitle D and the rest of Subtitle D. Both the HUB statutes and the procurement from persons with disabilities provisions affect



how goods and services are acquired, specifying procurement processes and for some goods which vendors must be used. Senate Bill No. 799, 87th Leg., 2021, amended Section 2155.089(c), Government Code, to exempt Institutions of Higher Education from VPTS reporting requirements for contract solicitations that began on or after Sept 1, 2021.

Failure to Report and Late/Incorrect Reporting to the Legislative Budget Board

Auditors identified nine purchase transactions and two contracts where the University failed to report, reported late or incorrectly reported the contract and/or amendments to the Legislative Budget Board (LBB). The [General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#) requires a state agency that receives an appropriation under the GAA to report to the LBB a contract with a value greater than \$50,000, "without regard to source of funds or method of finance associated with the expenditure, including a contract for which only non-appropriated funds will be expended." The submission must include required documentation such as the award, solicitation documents, renewal, amendments, addendums, extensions, attestation letters and certain types of supporting records related to contracts. Contracts initially reported to the LBB database do not have to be re-posted on the web under [Texas Government Code, Section 2261.253\(g\)\(1\)](#). According to the University, one contract was not reported due to a misunderstanding as to which University of Houston component was responsible for reporting. Additionally, the other reporting issues were due to purchasing staff not following policy and procedure.

Recommendation/Requirement

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

University Response

The new purchasing manager has completed and passed his Certification Texas Contract Developer (CTCD) training and is aware of the LBB reporting requirements. The Sr. Director of Finance/Controller has a monthly tracking list for the whole department for important tasks that need to be completed. The Sr. Director of Finance/Controller monitors this report monthly to ensure all actions have been completed. LBB reporting has been added to the Purchasing Manager monthly duties to make sure any required contracts are reported. The procedure to complete LBB reporting will be created and posted on the UHV intranet for reference. The process will be to report to the LBB as soon as the PO is created. The contract is required to be attached to the PO, the Purchasing Manager will save the contract and the LBB posting to the Procurement File at the time of approving the PO.



Incorrect Amount Paid

Auditors identified one purchase transaction in which the University paid for services that exceeded the contracted amount. Amendments to the original agreements were not executed to support the amount of the payments made. The University stated that this occurred because purchasing staff was not following policy and procedures.

When a state agency or institution of higher education and a vendor agree to a certain rate or quantity, any amount above the rate or quantity may not be paid unless the contract is amended with the vendor providing additional consideration. In addition, any amendments must be completed before the vendor provides goods or services. It is the contract manager's responsibility to ensure contract requirements are satisfied, goods and services are delivered in a timely manner, and the financial interests of the agency are protected. According to the University of Houston – Office of Contract Management – Contract Management Handbook, once a contract has been fully executed by both parties, the only way a department should change the terms is by a written amendment.

Recommendation/Requirement

The University must review and compare the invoices for completeness and accuracy and compare them to the contract to ensure that payments do not exceed the amounts authorized in the contract. Any amendments to the original contract must be documented. Additionally, the University should ensure that employees who expend funds are trained in the procurement policies and procedures.

University Response

Together the Sr. Director of Finance/Controller and Purchasing Manager will be reviewing and updating all purchasing policies, procedures, and manuals to ensure they are up to date and provide more detailed procedures for the employees and purchasing manager to follow. All revisions will be sent out campus-wide, we will provide one-on-one training and/or group training at departments requests. Business Services with the assistance of the Sr. Director of Finance/Controller will update the contract administration policies and procedures to ensure proper contract monitoring and payments procedures are followed. We have already established a group called Q&A with Administration & Finance, this group will prepare a PowerPoint presentation and hold monthly meetings for the whole campus to attend in person or via TEAMS to discuss updates to policies, procedures, reminders, refresh on training courses, concerns and/or issues that arise in our departments. The next meeting is scheduled for Dec. 2, 2022, Contract Monitoring and payments on contracts will be one of the topics that will be discussed at this meeting. This PowerPoint presentation will provide useful links to training materials, policies, procedures, and state codes. The PowerPoint presentation will be saved on the intranet for all employees to access after the meetings.



Grant Transactions

Auditors developed a sample of two grant transactions totaling \$305,430.65, then conducted a limited review of the University's transactions relating to grant payments. This review consisted of verifying that the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of the University's procedures for awarding the grants or monitoring payments made to grantees; therefore, auditors are not offering an opinion of those procedures. Audit tests revealed no exceptions for this group of transactions.

Travel and Travel Card Transactions

Using a report generated outside the sample, auditors selected nine travel transactions issued from institutional funds totaling \$6,951.03 and 20 travel card transactions totaling \$47,042.09 to ensure the University complied with the GAA, [Texttravel \(FPP G.005\)](#), pertinent statutes and its internal 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 verify the existence of assets and to test for accurate reporting. All tested assets were in their intended location, and no exceptions were noted.

Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the University's procedures for processing these transactions to determine compliance with state rules, regulations, and processing requirements. Audit tests revealed no exceptions in the targeted analysis reports.

Internal Control Structure

The review of the University'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 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. Upon termination or revocation, certain deadlines must be met so that security can be revoked in a timely manner. Audit tests revealed no security exceptions.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS),
 - Human Resource Information System (HRIS) or
 - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the University of Houston – Victoria (University) payroll, purchase and procurement/contract transactions that processed through USAS from Sept. 1, 2020, through Aug. 31, 2021, 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.

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.

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 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.