



An Audit of the **Comptroller – Prepaid Higher Education Tuition Board**

Audit Report #315-22-01
May 17, 2023

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Comptroller – Prepaid Higher Education Tuition Board (Board):

- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2020, through Nov. 30, 2021.

Background

The Comptroller – Prepaid Higher Education Tuition Board (Board) was established in the Texas Comptroller of Public Accounts in 1995, to assist young Texans in obtaining a higher education. The Board administers several tax-advantaged plans and programs.

Comptroller – Prepaid Higher Education Tuition Board website

<https://comptroller.texas.gov/programs/education/texastuitionboard.php>

Audit Results

The Board largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with grants, travel, refund of revenue, investments, targeted analysis reports or security. However, the Board should consider making improvements to its purchase/procurement processes and internal control structure.

Auditors reissued one finding from the last audit conducted at the Board related to internal control structure. Auditors originally issued this finding in November 2016. An overview of audit results is presented in the following table.



Table Summary

Area	Audit Question	Results	Rating
Purchase and Contract Transactions	Did purchase and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Missing pre-award Vendor Performance Tracking System (VPTS) check	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 Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No Issues	Fully Compliant
Refund of Revenue Transactions	Did revenue refund transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No Issues	Fully Compliant
Investment Transactions	Did investment transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Targeted Analysis	Did the Board comply with the GAA, pertinent statutes and Comptroller requirements?	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?	 Control weakness over expenditure processing	Control Weakness Issues Exist
Security	Are Board 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:

- The Board must search for vendors on the Vendor Performance Tracking System (VPTS) prior to contract award.
- The Board should review its controls over expenditure processing and segregate each task to the maximum extent possible to ensure no individual is able to process payments without oversight.



Detailed Findings

Purchase/Procurement Transactions

Auditors developed a sample of 15 purchase transactions totaling \$356,990.42 to ensure that the Board complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in purchase transactions.

Missing Pre-Award Vendor Performance Tracking System (VPTS) Check

Auditors identified one purchase/procurement transaction totaling \$1,500 where the Board did not have documentation of performing a VPTS review before awarding a contract. The Board stated that staff were unable to locate the search results. Incorporating the review of the vendor performance report before awarding a contract allows the Board to identify vendors that have exceptional performance and meet all the contract obligations, while protecting the state from vendors with a history of poor performance and/or unethical business practices. The Board must consider all the information collected and evaluated before awarding a contract. [Texas Government Code, Section 2262.055\(d\)](#) requires state agencies to use VPTS to determine whether to award a contract to a vendor reviewed in the tracking system. See also [State of Texas Procurement and Contract Management Guide](#) – Vendor Performance Tracking System Check.

Recommendation/Requirement

The Board must ensure procurement staff use VPTS before determining whether to award a contract to a vendor. Staff must retain records in the procurement file of the VPTS review results dated prior to contract award.

In addition, staff training programs and related documentation should include instructions on using and reporting to VPTS. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the [State of Texas Procurement and Contract Management Guide](#) – Appendix 9.

Board Response

We agree with the recommendations. Procurement staff and evaluation committees use VPTS to determine whether to award a contract to a vendor. During the period of the audit for procurements issued by the Contracts Section instead of the Procurement Division, the Contracts Section did not print and maintain the results of a VPTS search if there were no reviews. Beginning in October 2017, the Contracts Section implemented a procedural change that requires that all VPTS searches, regardless of results, are printed and made part of the procurement file for procurements issued by the Contracts Section.



Contracts Section staff receive ongoing training on procurement documentation requirements including using VPTS.

Grant Transactions

Auditors conducted a limited review of the Board's transactions relating to grant payments. The review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Board's procedures for awarding grants or monitoring payments made to the payees; therefore, no opinion is being offered on those procedures. Auditors reviewed 10 transactions totaling \$31,137,054.76. Audit tests revealed no exceptions in grant transactions.

Travel Transactions

Auditors developed a sample of four travel transactions totaling \$370.27 to ensure the Board complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Audit tests revealed no exceptions in travel transactions.

Refund of Revenue Transactions

Auditors developed a sample of five refund transactions totaling \$264,121.74 to ensure the transactions were supported by appropriate documentation and complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

Investment Transactions

Auditors developed a sample of three investment transactions totaling \$328,810.76 to ensure the transactions were supported by appropriate documentation and complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the Board'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 Board'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 the following exceptions in user access.



Control Weakness Over Expenditure Processing

Auditors reviewed certain limitations that the Board placed on its accounting staff's ability to process expenditures. The review of the Board's segregation of duties was limited to obtaining reports identifying current user access. Auditors reviewed the Board's security in the Uniform Statewide Accounting System (USAS), the Texas Identification Number System (TINS) and the voucher signature cards that were in effect on May 16, 2022.

The Board had one employee with multiple security capabilities. The employee was on the agency's signature card (could approve electronic and paper payment vouchers for expedite) and on the warrant pickup list. The Board stated this was due to an oversight when updating the signature card to add support services staff.

Recommendation/Requirement

To reduce risk to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

The Board must limit user access by removing the user from the Board's signature card or by removing the user from the agency's authorization for warrant pickup list.

Board Response

We agree with the recommendation. The division has taken action to remove security for an individual who was authorized to pick up Comptroller warrants and also had the ability to approve vouchers in USAS.

Controls over expenditure processing will be reviewed on an ongoing basis to ensure that tasks are segregated to ensure that no individual has the ability to fully process transactions without another person's oversight and documented approval.

Security

The audit included a security review to identify the Board's 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, the Board must meet certain deadlines so 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 Comptroller – Prepaid Higher Education Tuition Board (Board) purchase/procurement, grants, travel, refund of revenue, and investment transactions that processed through USAS and CAPPs from Dec. 1, 2020, through Nov. 30, 2021, to determine compliance with applicable state laws.

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