



An Audit of the **University of Texas of the Permian Basin**

Audit Report #742-23-01
July 27, 2023

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Texas Comptroller of Public Accounts





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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether University of Texas of the Permian Basin (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 June 1, 2021, through May 31, 2022.

Background

The University of Texas of the Permian Basin serves a diverse community of students from the region, the state and beyond. Through excellence in student-centered teaching, learning, research and public service, the University cultivates engaged citizens and impacts lives while advancing technology and the public interests of West Texas.

University of Texas of the Permian Basin website
<https://www.utpb.edu/>


Audit Results


The University largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found no issues with grants and travel card transactions. However, the University should consider making improvements to its payroll, purchase/procurement, and payment card processes.

The auditors reissued one finding from the previous audit conducted at the University related to its statutory authority for purchases of promotional items. Auditors originally issued this finding in March 2018. An overview of audit results is presented in the following table.



Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Incorrect hazardous duty and longevity pay amounts. • Incorrect amount paid for accrued compensatory time (overtime). • Incorrect lump sum payment of accrued vacation leave. 	Compliant, Findings Issued
Purchase/ Procurement and Payment Card Transactions	Did purchase/procurement and payment card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	 Missing statutory authority for purchase. <ul style="list-style-type: none"> • Missing vendor compliance verifications. • Failure to report to the Vendor Performance Tracking System. • Improper payment of state sales taxes. 	Compliant, Findings Issued
Travel Card Transactions	Did travel card transactions comply with the GAA, University policies and procedures, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grants	Did grant transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Targeted Analysis	Did targeted analysis transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Incorrect processing of reimbursements in the Uniform Statewide Accounting System/ Incorrect Texas Identification Number.	Compliant, Findings Issued

 Repeat Finding



Key Recommendations

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

- Improve its current payroll processes and include quality control measures to ensure correct entry of state effective service dates, prevent incorrect payments of accrued compensatory time (overtime), and prevent incorrect payments of accrued vacation time (lump sum payments).
- Update its policies and procedures to ensure that it does not purchase goods or services with appropriated funds that it does not have statutory authority to purchase.
- Conduct all vendor compliance checks before any purchase, contract award, extension or renewal.
- Report purchases over \$25,000 to the Vendor Performance Tracking System (VPTS).
- Increase training for staff who make purchases using procurement cards to ensure that sales taxes are not included in the final payment to the vendor.
- Ensure that it follows Uniform Statewide Accounting System (USAS) policies and procedures when processing third party transactions and that reimbursement requests include proper vendor and employee-level detail.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$294,069.00 from a group of 25 employees and 181 payroll transactions to ensure the University 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, auditors reviewed a limited sample of 10 voluntary contributions transactions with no exceptions identified.

Incorrect Hazardous Duty and Longevity Pay Amounts

Auditors identified six employees with incorrect months of state/lifetime service credit in PeopleSoft, the University's internal payroll system. The incorrect months of service credit resulted in a total longevity overpayment of \$2,620 and a hazardous duty underpayment of \$3,700 for all six employees. According to the University, it was unaware the police officers' TCOLE certification needed to be entered into the system to initiate hazard duty pay instead of longevity pay.

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

Recommendation/Requirement

The University should verify prior state service data for employees working in hazardous duty positions to ensure they are receiving lifetime service credit for all eligible periods of employment. The University's operating procedures must include quality control measures to ensure that state effective dates are entered correctly in the internal/payroll/personnel systems to prevent incorrect hazardous duty and longevity payments. Additionally, the University must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40\(c\)](#).

University Response

Human Resources will work with the Police Department to get all current Police Officers corrected. All new Police Officer data including prior state service will be set up correctly at the beginning of their employment to ensure that hazardous duty and longevity payments are calculated correctly.



Incorrect Amount Paid for Accrued Compensatory Time (Overtime)

Auditors identified four employees who received an incorrect payment for accumulated compensatory time earned from working overtime (more than 40 hours in a workweek). The University did not include longevity or hazardous duty pay in the hourly rate of pay used when calculating the amount owed to the four employees. According to the University, it was unaware that longevity and hazardous duty pay amounts needed to be included in its overtime calculations.

When additional pay components are not correctly included in the rate of pay, employees will be underpaid for compensatory time earned from working more than 40 hours in a workweek; four employees noted above were underpaid for accumulated compensatory time.

The regular rate of pay for calculating payments for banked overtime hours includes any special payments such as longevity, hazardous duty pay, benefit replacement pay, qualified bonus payments, and other special payments. See [Texas Payroll/Personnel Resource, Non-Salary Payments - Overtime](#).

Recommendation/Requirement

The University must improve its current payroll processes to prevent incorrect payments of accrued compensatory time (overtime). All applicable additional pay components must be included in the rate of pay for computing the amount owed to employees. Additionally, the University must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40\(c\)](#).

University Response

Human Resources will enhance our payroll processes as well as work with our Information Technology Services (ITS) team to ensure that the appropriate overtime payments are calculated correctly through PeopleSoft.

Incorrect Lump Sum Payment of Accrued Vacation Leave

Auditors identified four instances where employee's lump sum payments for accrued vacation leave were incorrectly calculated resulting in underpayments. The lump sum payment calculation for the four employees reflected the incorrect hours per month when allocating the total vacation hours to be paid out. The first employee was underpaid by \$862.23; the second employee was underpaid by \$143.76; the third employee was underpaid by \$1,164.80; and the fourth employee was underpaid by \$343.92. According to the University, it was unaware it needed to include any holidays when calculating an employee's vacation leave payout.



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 must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40\(c\)](#).

University Response

Corrective action for this recommendation has been implemented. In addition, Human Resources has set up tracking processes to ensure this finding remains addressed and that UTPB will remain in compliance.

Purchase/Procurement and Payment Card Transactions

Auditors developed a sample of 25 purchase transactions totaling \$419,124.39 and 30 payment card transactions totaling \$30,912.87 to ensure the University complied with the GAA, University policies and procedures, and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing Statutory Authority for Purchase

Auditors identified one transaction where the University purchased promotional items and one transaction for a monetary award for a student who won a campus wide competition. The University requested reimbursement for these transactions from appropriated funds without having statutory authority to do so. The University stated that the payment missed the double check for the use of state funds for promotional items and the reimbursement for the student award was requested in error. New processes have been implemented to prevent these oversights from occurring in the future.

The purchases of tumblers with the University logos and/or other promotional items that involve promotion or advertising, as well as awards to students for academic competitions may not be paid for with appropriated funds. The University does not have specific or implied authority to spend appropriated funds on promotional items, advertising, or student awards. See [eXpendit - General Provisions - Responsibilities of State Agencies - Statutory Authority for Purchases](#) and [Attorney General Opinion JC-0350 \(2001\)](#).



Recommendation/Requirement

The University must update its policies and procedures to ensure that it does not purchase goods or services with appropriated funds that it does not have statutory authority to purchase.

University Response

Purchasing is developing an enhanced Athletic travel policy as well as updating the University's Pro-card and Travel card policies to ensure that all card programs are in compliance with the State of Texas procurement laws and that only authorized goods or services are purchased with appropriated funds.

Missing Vendor Compliance Verifications

The University was unable to provide evidence of completed vendor compliance verifications (VCV) for 13 purchase and 22 payment card transactions. The University must provide dated proof to show it performed each verification. According to the University, it uses Payment Works software to check for sanctions and the internal accounting system checks for warrant holds at payment processing. Several of the software checks the University provided were dated after the purchase and the initial warrant hold check must be done within 7 days of purchase or contract execution.

Iran, Sudan, and Foreign Terrorist Organization List Check

The University was unable to provide proof staff conducted the Iran, Sudan, and foreign terrorist check for six purchase transactions. Institutions of higher education 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](#). Before award, the University must check the divestment lists to confirm the potential awardee is not in violation of this requirement. See [Texas Government Code, Section 2252.153](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#). If the business is in violation, the University may not award the contract to that vendor.

Warrant Hold Check

Auditors identified 13 purchase and 22 payment card transactions where the University did not document the verification of the vendor's warrant hold status before making a purchase. The University must check warrant hold status if the transaction involves a written contract; if payment is made with local funds; or if a payment card purchase is over \$500. See [TexPayment Resource – Hold Special Circumstances, Local Funds and Payment Card Purchases](#). The University cannot proceed with a purchase made with local funds or a payment card purchase over \$500 until the warrant hold has been released. For transactions 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 the vendor is on warrant hold, the University may not enter into a written contract with that vendor unless the contract requires the University's payments under the contract to be applied directly toward eliminating the vendor's debt or delinquency. The requirement specifically applies to any debt or delinquency, regardless of when it arises. Although payments made through USAS are automatically checked for holds, and the system identifies payments issued to persons with outstanding state debt, this does not relieve an institution of higher education from conducting the warrant hold status check, per [Texas Government Code, Section 2252.903\(a\)](#) and [eXpendit - Restricted Expenditures - Persons Indebted to the State](#).

Recommendation/Requirement

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

University Response

The recommended action for VCV checks has been implemented. Pro-Card Holders are now required to verify a vendor's hold status for purchases over \$500 prior to purchase in accordance with State Comptroller regulations. Once the vendor's status has been verified, the hold on the card is lifted by purchasing staff allowing the card holder to make their purchase.

This new requirement will be included in the new pro-card policy under development and evidence of the warrant check will be required documentation for purchases exceeding \$500.

Failure to Report to the Vendor Performance Tracking System

Auditors identified one purchase transaction where the University failed to report a contract over \$25,000 to the Vendor Performance Tracking System (VPTS). The University stated that it did not report to the VPTS as it believed that institutions of higher education were exempt from this requirement.

The Statewide Procurement Division (SPD) administers VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). VPTS relies on agency participation to gather information on vendor performance. Ordering entities are also encouraged to report vendor performance for purchases under \$25,000. See [Texas Government Code, Section 2155.089](#) and [Section 2262.055](#).

The reporting of vendor performance under [Section 2155.089](#) is not part of the procurement of goods and services included in the scope of Education Code, [51.9335\(d\)](#) exemption. Performance monitoring and evaluation is part of contract management, which begins when the contract is awarded.



While Senate Bill No. 799, 87th Leg., R.S., 2021, amended [Section 2155.089\(c\)](#) to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021, this contract was solicited before the implementation date of the bill.

Recommendation/Requirement

For solicitations that began before 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.

University Response

It is our understanding that Texas Higher Education is exempt from this cited requirement. As such, the UTPB Purchasing Department will seek guidance and clarification from the University of Texas System Office of General Counsel on this issue. This will include guidance on how to implement the VPTS process into the University's procurement processes should it be determined that UTPB is required to comply.

Comptroller Response

While it may appear at first that 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, 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.



Improper Payment of State Sales Taxes

Auditors identified one payment card transaction where the University paid state sales taxes that should not have been paid. The University paid for catering services for an event that included sales tax in the final invoice. The University stated that it did not notice the sales tax charges because the payment was made online using a vendor provided link. The employee who made the payment did not open the invoice prior to paying the vendor and as a result, paid taxes totaling \$171.53 in error. The University updated processes to prevent sales tax payments on procurement cards going forward. See [eXpendit-Miscellaneous Expenditures-Payments and Fees-Taxes and Fees Assessed by Governmental Entities](#) and [34 Texas Administrative Code Section 3.322](#).

Recommendation/Requirement

The University should increase training for staff members who make purchases using procurement cards to ensure that sales taxes are not included in the final payment to the vendor.

University Response

The University will increase the frequency of trainings for staff members who are issued procurement cards on the proper use and procedures to follow. We will begin providing these trainings on a more regular basis and include information on how to properly manage and reconcile the procurement cards. We will also develop queries to help perform more efficient and timely reviews of the procurement card transactions to help identify any state sales tax which may have been charged. We will also contact the staff member and supervisor responsible for the transaction and require immediate correction.

Travel Card Transactions

Auditors developed a sample of 15 travel card transactions totaling \$11,206.29 to ensure the University complied with the GAA, University policies and procedures, and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Grant Transactions

Auditors reviewed four grant transactions submitted for reimbursement totaling \$579,920.94 to ensure the University complied with the GAA, University policies and procedures, and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.



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 the following exceptions in the targeted analysis reports.

Incorrect Processing of Reimbursements in USAS/Incorrect Texas Identification Number

In a report generated outside the sample, auditors identified nine payment card, 154 payroll and two travel transactions totaling \$6,856,343.53 that were processed with incorrect Texas Identification Numbers (TIN). Auditors provided the University an electronic copy of the spreadsheet for review.

According to the University, after a review of appropriation year 2019 reimbursements, it discovered expenses that were never reported in USAS and when the University requested reimbursement for these expenses, it used the incorrect TIN. The University stated it was under the impression it needed to use the University's TIN for reimbursement. The University will ensure the proper TINs are used going forward.

The 247-transaction code lines for payment card and travel transactions must carry the TIN of the vendor that provided the goods or services or the employee who traveled. The 904-transaction code line is payable to the University's local bank account. Reimbursement requests must include one of the following in the 247-transaction code information:

- The TIN for the business where the original purchase was made.
- The TIN of each employee incurring the travel expenses.
- The TIN of each grantee receiving the grant.
- The non-specific payment card TIN. (The non-specific payment card TIN may be used only on third-party payment card transactions if the TIN/mail code is unknown for a specific vendor and all efforts to obtain the vendor's TIN are unsuccessful.)

The 246-transaction code line for payroll transactions must carry the TIN of the employee being paid and the 903-transaction code line is payable to the University's local bank account.

Improper processing procedures can result in the inaccurate reporting of expenditures for public information requests. See [**Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)**](#) for information on how state agencies and institutions of higher education must process third party payments through USAS. This information is essential for an accountable



and open government. It is also used for open records requests and is required for post-payment auditing purposes. The options for an institution to comply with [FPP A.043](#) may include manually entering the required data, implementing system changes, or not seeking state reimbursement.

Recommendation/Requirement

The University must ensure that it follows the USAS policies and procedures when processing third party transactions and that reimbursement requests include proper vendor and employee-level detail required by [FPP A.043](#).

University Response

The Office of Accounting will begin reviewing detailed queries on the data pertaining to expenses being exported from the institutions financial reporting system (PeopleSoft) to ensure that the Texas identification numbers (TIN) on these exports are correct. The Office of Accounting will also conduct a secondary review on the details of the reimbursements after the batches have been posted to USAS in order to make any followup corrections to ensure the proper TINS have been used for the reimbursements. These updated processes will help ensure that appropriate USAS policies and procedures are followed when processing third party transactions and that reimbursement requests include proper vendor and employee-level detail.



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 Texas of the Permian Basin (University) payroll, purchase and travel transactions that processed through USAS from June 1, 2021, through May 31, 2022, to determine compliance with applicable state laws.

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

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The University should implement the recommendations listed in the Detailed Findings of this report. It is the University's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the University's documents comply in the future. The University must ensure the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">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.