



An Audit of **Texas A&M University at Galveston**

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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 Texas A&M University at Galveston (University):

- 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.

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

Texas A&M University at Galveston is dedicated to developing leaders who are changing the world. The University educates nearly 2,300 undergraduate and graduate students annually in maritime and maritime programs. The Texas A&M Maritime Academy was founded in 1962 and remains the only maritime academy in the Gulf Coast region. It currently offers nearly 20 degree programs that prepare graduates to drive the blue economy around the world.

Texas A&M University at
Galveston website

<https://www.tamug.edu>


Audit Results


The University generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with travel 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 relating to payroll. Auditors originally issued this finding in August 2014, as part of the previous audit. 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?	 Missing verification of prior state service/incorrect months of state service/incorrect longevity and hazardous duty pay. <ul style="list-style-type: none"> • Incorrect amount paid for accrued compensatory time. 	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?	<ul style="list-style-type: none"> • Incorrect state reimbursement amount. • Missing vendor compliance verifications (VCVs). • Failure to report to the Vendor Performance Tracking System (VPTS). 	Compliant, Findings Issued
Travel and Travel Card Transactions	Did travel card transactions comply with the GAA, University policies and procedures, 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

 Repeat Finding

Key Recommendations

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

- Confirm the amount of lifetime service credit for employees and compute the correct effective service date to prevent incorrect longevity and hazardous duty payments.
- Ensure employees are paid correctly for accumulated compensatory time earned for working overtime.
- Ensure that purchases are not submitted for payment or reimbursed for amounts that exceed the amount invoiced by the vendor.
- Conduct all vendor compliance verifications before any purchase, contract award, extension or renewal.
- Report all purchases over \$25,000 to the Vendor Performance Tracking System (VPTS).



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$252,309.01 from a group of 25 employees and 225 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, a limited sample of five voluntary contributions transactions were audited with no exceptions identified.

Missing Verification of Prior State Service/Incorrect Months of State Service/Incorrect Longevity and Hazardous Duty Payment

Auditors identified six employees in the sample with incorrect months of state service resulting in incorrect longevity payments to four employees and incorrect hazardous duty payments to three employees.

The incorrect months of state service resulted from a combination of the following:

- The University credited one employee with a full month of state service on their first month even though the employee did not start on the first workday of the month resulting in a hazardous duty overpayment.
- The University did not receive a prior state service verification form for two employees from the previous employing agency prior to the employees' first longevity and hazardous duty payments. Although the University obtained the prior state service verifications and corrected the employees' state service in its system prior to the second payments, it failed to correct the first payments resulting in a longevity underpayment for both employees and a hazardous duty underpayment for one employee. Additionally, the incorrect months of state service resulted in the hazardous duty pay increase paid one month too early for the same employee. The University made the corrections as a result of the audit.
- The University did not verify prior state employment for two employees. The employees disclosed prior employment with another agency on their job application. However, the University did not obtain the prior state verifications from the other agencies, nor did it credit the employees for the prior state service. This resulted in a longevity underpayment for one employee and a hazardous duty underpayment for the other employee. The prior state service verifications were obtained during the audit.
- The University miscalculated the months of state service for the sixth employee resulting in the longevity pay increases paid a month too early. Auditors could not confirm the total error in longevity amount paid for employee since the



University was unable to obtain longevity pay history reports prior to 2002. The employee was overpaid \$200 in longevity pay during the period longevity pay history data was available.

According to [Texas Payroll/Personnel Resource, Non-Salary Payments – Longevity Pay \(FPP F.027\)](#), when an agency hires an employee, the agency must research if the employee has previous state employment. If there is prior state employment, the agency must:

- Confirm the amount of lifetime service credit, and
- Compute the correct amount of longevity and hazardous duty pay entitlement.

When lifetime service credit and months of state service are incorrect, longevity and/or hazardous duty entitlements might be paid incorrectly. The incorrect months of state service noted in the audit sample resulted in overpayments to two employees totaling \$307 and underpayments to four employees totaling \$2,140.

Longevity pay is an entitlement based on total state service; it is paid to eligible employees each month in addition to base salary. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

Lifetime service credit reflects an employee's entire time of state service and is used to determine the amount of longevity pay an individual may be eligible to receive. The amount of lifetime service credit accrued by a state employee is the sum of the number of days served during each period of state employment. However, an employee who is on leave without pay for an entire calendar month does not accrue lifetime service credit for that month. An employee's state effective service date is derived by subtracting total days of lifetime service credit from the most recent employment date. The date is used to determine when longevity pay is to be increased. See [Texas Payroll/Personnel Resource – General Provisions – Lifetime Service Credit](#).

Certain state employees perform hazardous duties and are eligible for hazardous duty pay. Applicable only to an employee in a hazardous duty position, lifetime service credit is the sum of all periods of employment in a hazardous duty position during the employee's state employment history. Periods of employment in a hazardous duty position at a community or junior college are included in lifetime service credit. Lifetime service credit is used in the calculation of the effective service date for hazardous duty pay. See [Texas Payroll/Personnel Resource – Agency Specific Provisions – Hazardous Duty 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 and hazardous duty 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, it must 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\(c\)](#).

University Response

All new employees receive a notice of disclosure during on-boarding advising them of the importance of reporting their prior state service and to contact HR, Payroll or their Department if they have prior state service. Once the employee makes contact they are advised to complete the Previous State Employment Verification Request form, which is sent to the previous employer. When Payroll receives the completed and verified form we will calculate the prior state service in days and enter them in Workday. At that time it is also determined if any corrections need to be made to vacation accruals or longevity/hazardous duty payments.

Incorrect Amount Paid for Accrued Compensatory Time (Overtime)

Auditors identified two hourly employees who received an incorrect payment for accumulated compensatory time earned from working overtime (more than 40 hours in a workweek). The University's system doubled the hourly rate representing the hazardous duty pay portion resulting in an incorrect overtime hourly rate. According to the University, the amount was doubled in error.

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

According to the [Texas Payroll/Personnel Resource](#), the regular rate of pay for calculating payments for banked overtime hours includes any special payments such as longevity pay, 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 ensure the necessary configuration is corrected within its system to ensure all applicable additional pay components are included accurately in the rate of pay for computing the overtime pay amount owed to employees.

University Response

The TAMUS Workday Services Team has updated the Workday configuration to prevent the doubling of the hourly rate representing the hazardous duty pay portion resulting in the incorrect overtime hourly rate.

Purchase/Procurement and Payment Card Transactions

Auditors developed a sample of 25 purchase transactions totaling \$323,803.02 and five payment card transactions totaling \$3,320.64 to ensure the University complied with the GAA, University policies and procedures, and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Incorrect State Reimbursement Amount

Auditors identified one purchase transaction where the state funds amount reimbursed to the University was more than the amount of the purchase. For this transaction, the reimbursement was \$500.00 more than the amount invoiced by the vendor due to a discount on the purchase not being deducted from the amount submitted to the state for reimbursement. The University stated that the original invoice was paid from local funds and there was a correction request to move the expenditure to state funds, but the credit/discount amount of the invoice was not picked up during the correction process to move the expenditure to state funds.

Recommendation/Requirement

The University must ensure that purchases are not submitted to the state for payment or reimbursement for amounts that exceed the amount invoiced by the vendor. The erroneous amount reimbursed to the University must be refunded back to state funds.

University Response

Reviewed requirements of split vouchers/transactions with voucher compliance auditors and voucher/payment correction staff. The staff understand that discounts or credits on a voucher need to be allocated appropriately across all funding sources on split vouchers. We should not allow the discount or credit to only be applied to local funds when there is a split with a state or federal funding source.



Missing Vendor Compliance Verifications

Auditors determined the University did not perform vendor status checks with certain vendor compliance verifications for most of the purchase transactions sampled. According to the University, for the vendor screenings other than warrant hold checks, it uses an electronic service, Descartes Visual Compliance, that automatically checks numerous federal and Texas exclusion lists. At the time a vendor is onboarded into their e-procurement platform (AggieBuy), it manually conducts a vendor screening through the service and documents the results in the vendor set-up documentation. The service then continually monitors all vendors in AggieBuy and notifies staff by email when vendors appear on any of the restricted party lists. For positive results, staff place an internal hold on the vendor so it cannot be used or paid and will not release the hold until the vendor is cleared from the lists. At the time of the purchase transactions sampled, the electronic service did not include the required Iran, Sudan and Foreign Terrorist Organization check, and it was not manually completed. As of Jan. 21, 2023, the University began including these additional checks through the electronic service provider.

Warrant/Payment Hold Check

The University did not document the vendor's warrant hold status verification before making 21 purchase transactions and seven payment card transactions. According to the University, there is no check for warrant holds before issuing a purchase order; however, its accounting system checks for warrant holds at the time of payment and holds the funds from distribution if the vendor is on hold. The vendor is then notified of the state hold and payment is not released until the vendor settles the debt or decides to apply the payment toward its debt. Without an automated process for checking warrant hold status at time of award, other evidence is necessary, such as a screen print, to prove each verification was conducted as required. For payment card purchases over \$500, the University had not been checking the vendor's warrant hold status before making the purchase.

State agencies and institutions of higher education are required to verify payee hold status before issuing payments from local funds and for payment card purchases over \$500. The Texas Identification Number System (TINS) is the system of record for accessing vendor hold information. If the payee is on hold, agencies and institutions must not use local funds to issue a payment unless the hold source agency or agencies consent to the release of the payment. See [TexPayment Resource – Warrant Hold – Hold Special Circumstances](#). For transactions involving a written contract, the warrant hold check must be conducted 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. If the vendor is on warrant hold, the University may not enter into a written contract with the vendor unless the contract requires the University's payments under



the contract to be applied directly toward eliminating the vendor's debt or delinquency, regardless of when it arises. See [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

Iran, Sudan and Foreign Terrorist List Organization Check

The University was unable to provide proof staff conducted the Iran, Sudan and foreign terrorist organization check for 21 purchase transactions. Agencies may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Section 2252.152](#).

Before awarding a contract, each agency must check the divestment lists to confirm the potential awardee is complying with this requirement. The Texas Safekeeping Trust Company maintains the divestment lists and posts them to the [Comptroller's Divestment Statute Lists](#). If the business is in violation, the contract may not be awarded to that vendor.

Recommendation/Requirement

The University must conduct all vendor compliance verifications at the time of or immediately before any purchase, contract award, extension or renewal. Verifications performed via automated processes are acceptable but must include all required checks and must be able to prove the checks were done. The University should regularly review for new required lists and ensure these are added into the automated process. For any vendor compliance checks that are not automated, documentation of the results from the specified databases/websites must be maintained in the procurement file as evidence these checks were done in accordance with applicable rules and statutes.

University Response

As of Jan. 21, 2023, Descartes Visual Compliance restricted party screening includes all federal and state required checks and continues to be performed at the time of vendor setup. This process is automatic, dynamic and captures and blocks purchases from any restricted vendor.

For additional documentation, Texas A&M University is implementing an electronic subscription service with Visual Compliance to integrate each requisition and supplier registration to do restricted party screening. This will show in the registration and requisition workflow history and in Jaggaer and the Visual Compliance Resolution Manager. This will be implemented by January 2024 for all TAMU System Members.



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

Auditors identified six purchase transactions over \$25,000 whose contracts were not reported to VPTS as required. When agencies do not report vendor performance, procurement staff at other agencies do not have the means to properly evaluate a vendor's prior performance and business practices which helps making a best-value determination.

The Statewide Procurement Division (SPD) administers VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). VPTS provides agencies with a comprehensive tool to evaluate vendor performance and reduce risk in the contract awarding process. SPD 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 through the SPD web application portal. See [Texas Government Code, Sections 2155.089](#) and [Section 2262.055](#). Agencies are also required to report a vendor's performance to VPTS after a contract is completed or otherwise terminated. More frequent reviews are required if the value of the contract exceeds \$5 million. Although Senate Bill 799, 87th Legislature, 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 the purchase transactions reviewed for this audit were solicited before the bill's implementation date.

The University was operating under the assumption that institutions of higher education are exempt from the VPTS reporting requirement based on [Texas Education Code 51.9335](#). 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 Businesses (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 status 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. SB 799 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.



Recommendation/Requirement

Although [Texas Government Code, Section 2155.089](#) was amended by SB 799 to exempt institutions of higher education from future VPTS reporting requirements, the University must still ensure a vendor's performance is assessed and reported to VPTS once a contract is completed for all solicitations that began before Sept. 1, 2021. Additional reporting intervals must be met when the contract value exceeds \$5 million.

University Response

As of September 1, 2021, institutions of higher education are currently exempt from all aspects of Vendor Performance Tracking System (VPTS) reporting requirements, pursuant to Texas Government Code, Section 2155.089(c)(3)(C).

Texas A&M University Procurement Services is working with Texas A&M University at Galveston to identify and report vendor performance for any unfulfilled contract for the purchase of goods or services made prior to September 1, 2021 upon contract is completion or termination.

If the value of the contract exceeds \$5 million, vendor performance will be reviewed at least once each year during the term of the contract and at each key milestone identified in the contract.

Travel and Travel Card Transactions

Auditors developed a sample of five travel transactions totaling \$11,979.97 and 12 travel card transactions totaling \$14,623.82 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.

Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended locations. Audit tests revealed no exceptions in these transactions.



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 Texas A&M University at Galveston (University) payroll, purchase/procurement 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.

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 the University's documents comply in the future. The University must ensure 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.