



An Audit of the
**University of Texas
Health Science Center
at Tyler**

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the University of Texas Health Science Center at Tyler (Center):

- 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 Sept. 1, 2021, through Aug. 31, 2022.

Background

On Sept. 1, 1977, the state hospital known as the East Texas Chest Hospital officially became The University of Texas Health Center at Tyler, joining the University of Texas System with an expanded mission that today includes patient care and community health, medical and health education, and biomedical and clinical research.

University of Texas Health
Science Center at Tyler website
<https://www.uthct.edu/>

Audit Results

The Center largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with travel expenses or property management. However, the Center should consider making improvements to its human resources, payroll and procurement processes.

Auditors did not reissue any findings from the prior audit, which was released in March 2015. 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">• Missing verification of prior state employment/incorrect state effective service date.• Duplicate reimbursement of payroll actions.• Late/incorrect Human Resource Information System reporting.• Missing payroll deduction form.	Compliant, Findings Issued
Purchase, Contract Transactions	Did purchase and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Purchase order created after invoice.• Missing receiving documentation.• Missing vendor compliance verifications.	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Targeted Analysis	Did the Center comply with targeted areas of the GAA, pertinent statutes and Comptroller requirements?	Confidential Treatment of Information Acknowledgment form not signed	Compliant, Findings Issued

Key Recommendations

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

- The Center should modify its policies and procedures to ensure it obtains the required past state employment information from applicants.
- The Center must review and enhance the process for preparing reimbursement payroll documents to ensure payroll reimbursements are valid and accurate and do not include duplicate payroll transactions. The Center must report all payroll and personnel transactions to the Human Resource Information System (HRIS) in a timely manner.



- The Center must ensure staff members create purchase orders at the time they request goods or services from the vendor to verify payments are valid and to ensure a proper audit trail.
- The Center must ensure staff makes no payment without sufficient supporting documentation, and creates and maintains supporting documentation or a receiving report for audit review. The Center should review and update its procedures for maintaining supporting documentation for all purchases.
- The Center must conduct all vendor compliance verifications as required before any purchase, contract award, extension or renewal, and must retain results from the specified website in the procurement file as evidence.
- The Center must enhance its procedures to ensure no user gains access to any of the statewide financial systems before completing a Confidential Treatment of Information Acknowledgment (CTIA) form.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$466,928.14 from a group of 30 employees with 198 payroll transactions to ensure the Center complied with the General Appropriations Act (GAA), [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, a limited sample of 22 voluntary contribution transactions was audited. Audit tests revealed the following exceptions in this group of transactions.

Missing Verification of Prior State Employment/Incorrect State Effective Service Date

The Center did not verify past state employment for one employee in the sample. The employee disclosed prior state employment on the employment application, but the Center failed to contact the prior employer to verify the starting and ending dates of employment. However, longevity payments were not affected.

The Center also entered incorrect state service effective dates for this employee and seven others in its internal system. According to the Center, these errors were due to data entry mistakes. The discrepancies were typically one to three days of service credits and did not affect longevity payments. However, other factors, such as retirement eligibility date, could be impacted.

According to [Texas Payroll/Personnel Resource - Longevity Pay](#), when an agency hires an employee, the agency must research whether 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 pay.

If the agency fails to do this, the eligible employee may be underpaid longevity pay. It is the hiring agency's responsibility to research prior state service when a new employee lists prior state service on the employment application.

Recommendation/Requirement

The Center must modify its policies and procedures to ensure staff reviews employment applications for previous state employment, and contacts previous state employers to obtain the necessary prior state service information.

As part of its research, the Center should consider using the [State of Texas Employment History](#) application to check for other past state service.



The Center should review data in its PeopleSoft system to ensure staff has recorded the precise hire date at the Center. This will help avoid errors in calculating the state effective service date, which could cause incorrect longevity payments.

Center Response

UTHSC-Tyler has modified policies and procedures for this process, including State of Texas Employment History check and PeopleSoft reconciliation to ensure compliance with recording correct prior state employment and effective service dates.

Duplicate Reimbursement of Payroll Actions

Auditors identified six payroll reimbursements paid to the Center more than once, resulting in overpayments of \$156,678.99. According to the Center, a software error in processing the data feed from its PeopleSoft system to the Uniform Statewide Accounting System (USAS) caused duplication of at least part of each payroll reimbursement request.

Institutions of higher education issue their payroll payments from funds held in local bank accounts. After processing the payroll from local funds, the institutions process reimbursement payroll documents in the accounting system to receive the portion of payroll that can be paid from appropriated funds. The reimbursement payroll documents report the amounts paid to each employee that the agency is requesting reimbursement from appropriated funds for. However, the payments are paid to the institution rather than to individual employees, as the reimbursement payroll document is only submitted to claim the authorized portion of salary costs from appropriated funds. See [Texas Payroll/Personnel Resource – Types of Payroll Documents](#).

Recommendation/Requirement

The Center must review and enhance the process for preparing reimbursement payroll documents to ensure payroll reimbursements are valid and accurate and do not include duplicate payroll transactions. It must return duplicate payroll reimbursements to the state treasury.

Center Response

Improvements to current UTHSC-Tyler payroll reimbursements have been implemented to ensure PeopleSoft is properly providing employee data for reimbursement that is accurate and contains no duplications. Any duplicate payroll reimbursement amounts will be returned and exchanged with allowable reimbursement amounts through coordination between UTHSC-Tyler staff and our designated ACO by June 14, 2024.



Late/Incorrect Human Resource Information System (HRIS) Reporting

Auditors observed that the Center is not reporting payroll transactions to HRIS in a timely manner. The table shows the rate of on-time reporting of employment information for 2019 through 2022. In 2022, only 40.8 percent of HRIS payroll records were reported on time. In eight of the 12 months of 2022, HRIS payroll updates were submitted over one to three months after the due date. According to the Center, the process for updating HRIS remains a manual one, and the person assigned has not been able to maintain timely payroll reporting to HRIS. Payroll transactions are timely when they are reported and posted by the seventh day of the month following their payment date. See [HRIS Compliance Reports \(FPP F.003\)](#).

Year	Personnel	Payroll
2019	94.8%	69.4%
2020	95.8%	63.4%
2021	97.5%	74.2%
2022	96.6%	40.8%

Though the Center reported personnel records in a more timely fashion than it reported payroll, Center staff did not enter the leave without pay dates into HRIS for one employee in the payroll sample. According to the Center, its current process for reporting payroll actions to HRIS does not include employees on leave without pay for fewer hours than an entire pay period.

The Comptroller's office collects and maintains payroll and personnel information on all state employees. The information is used to report statistics to various legislative and oversight bodies, media and the general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in [34 Texas Administrative Code Section 5.41\(h\)-\(i\)](#). If the Comptroller's office finds an error in a state agency's report of personnel or payroll information, the Comptroller's office will provide a description of the error to the agency. The agency must then correct the error according to the requirements of the Comptroller's office.

Recommendation/Requirement

The Center must report all payroll and personnel transactions to HRIS in a timely manner. The reports submitted to HRIS must be made in the manner, frequency and form required by the Comptroller's office.

Center Response

UTHSC-Tyler has implemented improvements to ensure all required monthly HRIS reporting occurs according to Comptroller guidelines, including staff restructuring within the Finance department responsible for this process.



Missing Payroll Deduction Form

The Center was unable to provide the deduction authorization form for one employee. According to the Center, the form had been archived along with older personnel records, and staff could not find it or any scanned copies.

A payroll deduction authorizes part of an employee's pay to be diverted to items such as credit union dues, charitable contributions, and certain contributions related to retirement and insurance. Employees must authorize these types of deductions in writing and may terminate them at any time. See [Texas Payroll/Personnel Resource - Voluntary Deductions](#).

Agencies must maintain such authorizations to support the legality, propriety and fiscal responsibility of payments made from the agency's funds. Payroll deduction authorizations are listed as required documentation to be kept. See [Texas Payroll/Personnel Resource - Required Documentation](#). The Comptroller may require the documentation during a post-payment audit, pre-payment audit or at any other time.

Recommendation/Requirement

The Center must enhance internal controls to ensure it maintains required documentation for all employee payroll deductions. See [34 Texas Administrative Code Section 5.47 \(b\)](#). Staff should review personnel files for compliance with record retention requirements before archiving. The Center should contact the employee to revalidate the continuing deductions for credit union dues.

Center Response

UTHSC-Tyler has implemented additional steps and reviews specific to payroll deduction form archiving to ensure compliance.

Purchase/Procurement Transactions

Auditors developed a sample of 25 purchase transactions totaling \$5,457,752.80 to ensure the Center complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following issues in these transactions.

Purchase Order Created After Invoice

Auditors identified eight purchase transactions for \$490,007.82 whose purchase orders were dated after services were rendered and after the final invoice was received. According to the Center, an employee failed to document evidence of purchase orders before receiving an invoice.

Without a purchase order issued to the vendor at the time the Center requested services, it is difficult for the Center to ensure it is not overcharged or billed for goods or services beyond those it agreed to.



According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), the state agency and its officers must 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.

Recommendation/Requirement

The Center 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.

Center Response

Additional training of department staff and UTHSC-Tyler buyers has been conducted to ensure purchase orders are created timely to ensure compliance.

Missing Receiving Documentation

Documentation of receipt of purchased goods was missing from four purchase transactions. The Center cited an inadvertent lapse in performing the receiving process in PeopleSoft.

A receiving report is essential in establishing a “three-way match.” This process helps agencies ensure that what they ordered matches what they received and what the vendor invoiced, and so ensures the payment is valid and correct. Receiving reports do not need to follow any specific format or style, as long as the reports list the items that were received (referencing the purchase order, contract, and/or vendor invoice), who received the items (with the recipient’s signature), and the date the items were received.

Without proper documentation, auditors could not determine whether the information entered in USAS was accurate. Agencies must maintain proper documentation to verify payments are valid and to ensure a proper audit trail.

As provided by [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), each state agency, its officers and its employees must maintain the necessary documentation for each purchase document to prove that each payment resulting from the document is legal, proper and fiscally responsible.

Supporting documentation including purchase orders, requisitions, contracts, invoices and receipts must be made available to the Comptroller’s office in the manner required. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

Recommendation/Requirement

The Center must ensure staff does not make any payment without sufficient supporting documentation. Staff must also create and maintain supporting documentation or a receiving report for audit review. The Center should review and update its procedures for maintaining supporting documentation for all purchases.



Center Response

An inadvertent lapse in existing processes led to required documentation not being retained. Additional training of purchasing staff has been completed.

Missing Vendor Compliance Verifications

The Center was unable to provide evidence that staff performed specific vendor compliance verifications (VCVs) in 15 instances. In two other instances, the Center conducted the vendor compliance checks after making the purchases. The Center must provide evidence, such as a screen print, showing that staff performed each verification. According to the Center, a software error caused omissions in the screening process.

Iran, Sudan and Foreign Terrorist Organization List Check

The Center was unable to provide documentation showing it performed the Iran, Sudan and foreign terrorist check before making 15 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](#). Each agency must check the divestment lists before award to determine if the potential awardee is in violation of this requirement. The Texas Safekeeping Trust Company maintains the divestment lists and posts them to the Comptroller's [Divestment Statute Lists webpage](#). Agencies cannot award a contract to a vendor that is in violation. According to the Center, the verifications were performed and noted on the dated internal order audit sheets, but the Center has never maintained proof of performing the verifications.

Missing Office of Foreign Assets Control Check

For two purchase transactions, the Center was unable to provide the federal Office of Foreign Assets Control (OFAC) check. A contract cannot be awarded to a vendor named on the U.S. Treasury Board, OFAC's master list of specially designated nationals and blocked persons (with limited exceptions noted in the order). See [executive order 13224](#).

Recommendation/Requirement

The Center must conduct all VCVs as required before any purchase, contract award, extension or renewal, and must retain results from the specified website in the procurement file as evidence.

Center Response

UTHSC-Tyler staff has reviewed and updated procedures to ensure VCV checks and evidence are completed for all required purchases. Staff also notified UTHSC-Tyler Executive Director of Compliance of software issues encountered during this review to ensure they do not occur going forward.



Travel Transactions

Auditors developed a sample of 31 travel transactions totaling \$9,627.72 to ensure the Center complied with the GAA, [Texttravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed no issues for this group of transactions.

Targeted Analyses

The audit included targeted analyses outside the main samples of payroll and purchase transactions. Using Comptroller statewide financial systems and Citibank's CitiManager Reporting System (CCRS), auditors generated several special reports to analyze additional processes relevant to the audited entity. Such processes may include interagency transfers, refunds to payroll, proper coding of payment card transactions, and others. Audit tests revealed the following exception in the Center's targeted analysis reports.

Confidential Treatment of Information Acknowledgment (CTIA) Form Not Signed

As a routine part of the security review, auditors evaluated the Center's compliance with the requirement that all users of the Comptroller's statewide financial systems complete a CTIA form. When a new user requires access to the Comptroller's systems, the Center's security coordinator has the user read and sign the CTIA form, and the agency's security coordinator must keep it on file for as long as the user has access to the systems plus five years. This form must be signed as instructed before the person requesting access logs on for the first time. Auditors reviewed this requirement for 10 employees. Two employees did not have a CTIA form on file before accessing CPA systems. The signed forms are present but are dated after the date of first connection. According to the Center, this was due to an inadvertent lapse in the process. The Center reminded the responsible party to ensure CTIA forms are signed before the first connection to CPA systems.

Recommendation/Requirement

The Center must enhance its procedures to ensure no user gains access to any of the statewide financial systems before completing a CTIA form.

Center Response

This was an inadvertent lapse in the process. UTHSC-Tyler reminded the responsible party of the importance of ensuring CTIA forms are signed in advance of the first connection to CPA systems.



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 Health Science Center at Tyler (Center) payroll, purchase and travel transactions that processed through USAS from Sept. 1, 2021, through Aug. 31, 2022, to determine compliance with applicable state laws.

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