



An Audit of  
**Texas Tech University  
Health Sciences Center –  
El Paso**

Audit Report #774-24-01  
**July 30, 2024**

**Glenn Hegar**  
Texas Comptroller of Public Accounts





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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether the Texas Tech University Health Science Center – El Paso (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 June 1, 2022, through May 31, 2023.

## Background

Texas Tech University Health Science Center – El Paso is located in the second largest binational metropolitan area on the U.S.-Mexico border. The Center provides the environment and opportunities for direct intellectual and interpersonal exchanges among nursing, medical and graduate research students on one campus. The Center's mission is to improve the lives of people in our state and the community by focusing on the unique health care needs of socially and culturally diverse border populations through excellence in integrated education, research, and patient care.

**Texas Tech University  
Health Science Center –  
El Paso website**  
<https://el Paso.ttuhs.c.edu/>

## Audit Results

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

The auditors noted no recurring issues from the previous post-payment audit issued June 2018. An overview of audit results is presented in the following table.



## Table Summary

Area	Audit Question	Results	Rating
<a href="#">Payroll Transactions</a>	Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"><li>• Incorrect payment of overtime.</li><li>• Incorrect reporting to the Human Resource Information System.</li><li>• Missing dual or multiple employment notification forms.</li></ul>	Compliant, Findings Issued
<a href="#">Purchase/Procurement and Payment Card Transactions</a>	Did purchase/procurement and payment card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"><li>• Late reporting to the Legislative Budget Board.</li><li>• Missing warrant hold checks.</li></ul>	Compliant, Findings Issued
Travel and Travel Card Transactions	Did the travel and travel card transactions comply with the GAA, Center policies and procedures, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Grant Transactions	Did grant transactions comply with the GAA and state laws and regulations pertaining to grants?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the Center's internal system?	No issues	Fully Compliant
<a href="#">Targeted Analysis</a>	Did targeted analysis transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	Prohibition on international payments.	Compliant, Findings Issued



## Key Recommendations

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

- Ensure eligible entitlement amounts are included in calculations of overtime pay so that employees are paid correctly for time earned for working overtime.
- Ensure all required entries are reported accurately and completely to the Human Resource Information System (HRIS).
- Ensure dually employed employees are properly compensated.
- Ensure all applicable contracts and contract documents are reported to the Legislative Budget Board (LBB).
- Ensure a vendor's warrant hold status is checked on all applicable payment card purchases.
- Ensure the Center's vendor and employee direct deposit payments are not being forwarded to financial institutions outside the United States.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$922,956.98 from a group of 25 employees involving 145 payroll transactions to ensure the Center 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.

## Incorrect Overtime Payments

Auditors identified twelve instances where an employee's overtime payments were not calculated correctly. The twelve instances included nine overpayments and three underpayments of overtime. The Center is using a weekly calculation for overtime that is outlined in the Fair Labor Standards Act (FLSA). However, when the weekly calculation is used, the Center should have annualized the longevity/hazardous duty pay amounts to arrive at a weekly amount for these benefits to be used in the calculation of the regular pay rate and the overtime payment for each week. Instead, it was including the full monthly longevity/hazardous duty pay amounts in the calculation of the regular pay rate for the week in which the overtime benefit was paid. As a result, overtime was overpaid in the weeks the benefit was included and underpaid in the weeks it was not. See [29 Code of Federal Regulations \(CFR\) Section §778.110\(b\)](#).

Special payments such as longevity pay, hazardous duty pay, benefit replacement pay, and housing emoluments must be included in the regular pay rate for the calculation of overtime pay. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Overtime](#).

## Recommendation/Requirement

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The Center must enhance its overtime calculation process to ensure it includes eligible entitlement amounts in the regular pay rate for the calculation of overtime pay, specifically hazardous duty pay and longevity pay. The Center must compensate employees for any underpaid amounts and collect the overpayment amounts if it is cost effective to do so.

## Center Response

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*Payroll & Tax Services maintains that longevity and hazardous duty calculations are included in overtime calculations and meet the requirements set forth in 29 CFR 778.110(b). The Center pays hourly rate employees on a semi-monthly pay period. When longevity and hazardous duty payments are annualized over the pay periods employees pay include*



*the longevity and hazardous duty payments. The overtime calculation in the ERP has not changed since its inception. The Center has successfully provided documentation to substantiate overtime calculations made in the ERP in past Post-Payment Audits. Management has reviewed the overtime calculation in the ERP payroll processing module and have found no deviations from prior calculations. However, management will request a consultation with the ERP support team. Auditors overtime calculation concerns will be presented to the ERP support team for their review and recommendation.*

## Comptroller Response

During the audit, auditors requested the Center's overtime calculations. The calculation of the regular rate provided showed that longevity and hazardous duty pay were only included during the week the benefit was paid. Longevity and hazardous duty amounts are paid in the first pay period of the month. When determining the regular rate for the week, these amounts must be annualized and added to weekly earnings. See [Department of Labor Opinion #FLSA2020-3](#) and [29 CFR Section §778.108](#). The Center must ensure that longevity and hazardous duty payments are always included in the calculation of overtime.

## Incorrect Reporting to the Human Resource Information System

Auditors identified one employee in the payroll sample and seven employees in the travel sample whose employment information was not reported in the Human Resource Information System (HRIS). Additionally, the dual employment report generated outside the sample identified 32 employees whose terminations and other personnel actions were not reported in HRIS. According to the Center, it stopped reporting task employees in 2018. The reason for stopping is unknown, but the Center is working with information technology to resume reporting. The human resources department was not aware of and did not have access to the monthly dual employment report. The Center has requested access and it will use the report to verify terminations/transfers are reported correctly.

Institutions of higher education must report personnel and payroll actions to HRIS as outlined in [34 Texas Administrative Code Section 5.41\(h\)-\(i\)](#). 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. If the Comptroller detects an error in a state agency's reporting of personnel or payroll information, the Comptroller alerts the agency, which must then correct the error according to Comptroller's office requirements. For additional information on HRIS reporting, see [HRIS Reporting Requirements - Higher Education \(FPP M.005\)](#).



## Recommendation/Requirement

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

## Center Response

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*Human Resources is actively consulting with the Comptroller's HR/Payroll Agency Services supervisor for assistance/guidance on how to restart the recording of task employees. Upon receipt, Human Resources will immediately resume the reporting of all task employees (in HRIS).*

## Missing Dual or Multiple Employment Notification Forms

Auditors identified two employees who were missing dual employment notification forms. The employees had other jobs with different state agencies and received income from that employment. The Center stated the human resources department was not aware of the employees dual employment status and did not have access to the [State Employees Employed by More than One State Agency](#) report, which lists employees who are currently working for more than one state agency or institution of higher education. The Center has requested access and it will use the report to verify that documentation and notifications are sent out and reported correctly.

Texas state government is considered a single employer. While one state agency may classify an employee as FLSA-exempt, another state agency may classify the employee as non-exempt. In that case, the non-exempt classification prevails. If such an employee works more than 40 hours in a week among all state agencies, the employee must be paid overtime. If a person is employed at multiple state agencies, coordination and communication are necessary so that all agencies are aware of how the other agencies are classifying that employee, how many hours the employee works at each agency, and who will be responsible for what share of any resulting overtime pay. This is also important to prevent employees from receiving leave accruals and other benefits more than once. The [Statewide Payroll/Personnel Reports Guide \(FPP D.002\)](#) describes how human resources information on all state employees must be submitted to the Comptroller.

## Recommendation/Requirement

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To avoid the potential for not compensating an employee appropriately, auditors recommend the Center routinely obtain and review the [State Employees Employed by More than One State Agency](#) report and coordinate with the other state agencies or institutions of higher education to ensure dually employed employees are, and have been, properly compensated. See [Texas Government Code, Chapter 667 \(Multiple Employments with State\)](#).





## Center Response

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*Human Resources obtained access to the monthly dual employment report. Now, in addition to contacting the former agency to verify the employee's transfer (or separation), we are actively utilizing the monthly dual employment report to go into the HRIS system and ensure the employee's record has been accurately recorded.*

## Purchase/Procurement and Payment Card Transactions

Auditors developed a sample of 20 purchase transactions totaling \$2,124,489.24 and 10 payment card transactions totaling \$35,929.12 to ensure the Center complied with the GAA, Center policies and procedures, and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

### Late Reporting to Legislative Budget Board

Auditors identified two purchase transactions that the Center reported late to the Legislative Budget Board (LBB). One purchase transaction was reported 448 days late and the second purchase transaction was reported 198 days late to the LBB. The Center stated that was due to oversight. [General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#) requires state agencies that receive an appropriation under the GAA to report to the LBB a contract valued at over \$50,000, "without regard to source of funds or method of finance associated with expenditure, including a contract for which only non-appropriated funds will be expended." The submission must include required documentation such as the award, solicitation documents, renewal, amendments, addendums, extensions, attestation letters, and certain types of supporting records related to contracts. See the [LBB Contract Reporting Guide](#).

### Recommendation/Requirement

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

### Center Response

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*The Center's Purchasing Department has updated its business process to ensure that all LBB reportable contracts are identified and reported. A reconciliation process has also been implemented to ensure complete and accurate reporting of all applicable contracts.*

### Missing Warrant Hold Checks

Auditors identified eight purchases over \$500 where the Center did not verify the vendor's warrant hold status before using the state issued payment card. The Center's policy for payment cardholders requires the employees to check the warrant hold status



for vendors prior to making the purchases. The cardholders are then supposed to attach a copy of the screenshot of the vendor hold search results to their expense reports to verify the vendor was not on hold status at the time of the purchase. It is the Center's responsibility to ensure it does not use state funds indirectly to pay vendors that are on warrant hold.

The Center must check warrant hold status if the transaction involves a written contract; if payment is made with local funds; or if payment card purchase is over \$500. See [TexPayment Resource - Hold Special Circumstances, Local Funds and Payment Card Purchases and Payment Card Purchases](#). The Center cannot proceed with a purchase made with local funds or payment card purchase over \$500 until the warrant hold has been released. See [Texas Government Code, Section 2252.903\(a\)](#).

## Recommendation/Requirement

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The Center must instruct employees to review its procedures for checking and maintaining warrant hold status documentation for applicable payment card purchases. The Center must ensure employees check each vendor's warrant hold status before using a payment card for purchases over \$500 and maintain the document for audit review.

## Center Response

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*Payment cardholder training will be updated, and emphasis will be placed on the warrant hold section of our operating policy, HSCEP OP 72.15 Purchasing Card Program, which requires that the warrant hold check search be conducted prior to any payment card purchase exceeding \$500.*

## Travel and Travel Card Transactions

Auditors developed a sample of 15 travel transactions totaling \$10,381.88, nine non-employee travel transactions totaling \$5,063.85, and eight travel card transactions totaling \$4,369.49 to ensure the Center complied with the GAA, Center policies and procedures, and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Grant Transactions

Auditors developed a sample of two grant transactions totaling \$3,000, then conducted a limited review of the Center's transactions relating to grant payments. This review consisted of verifying the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of the Center's procedures for awarding the grants or monitoring payments made to grantees; therefore, auditors are not offering an opinion on those procedures. 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.

## Targeted Analysis

The audit included targeted analyses outside the main samples of payroll, purchase, and travel transactions. Using Comptroller statewide financial systems and the Citibank Reporting System auditors generated several special reports to analyze additional processes. 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.

## Prohibition on International Payments

Auditors conducted a review of the Center's procedures to comply with the federal mandate to properly identify and handle payments involving moving funds internationally. Of the 12 vendors and employees selected for review, one direct deposit form was checked to "yes" on the international payments verification section of the Center's internal direct deposit form. This section asks the vendor to indicate if their payments will be forwarded to a financial institution outside the United States. If the vendor checked the box to "yes" the vendor needs to complete the [ACH \(Direct Deposit\) Payment Destination Confirmation form \(74-227\)](#). If the vendor checks box A on the confirmation form (100 percent of payment will be forwarded outside the United States), direct deposit cannot be set up for this vendor. See [TexPayment Resource – Introduction to Direct Deposit – Prohibition on International Payments](#). According to the Center, this was due to oversight.

Due to federal requirements mandated by the Office of Foreign Assets Control, the National Automated Clearing House Association has adopted specific rules on the identification and processing of International Automated Clearing House transactions. To avoid potential federal penalties, each state agency must:

- Be able to show due diligence in the processing of all direct deposit payments.
- Do its best to ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside the United States.



## Recommendation/Requirement

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The Center must review and modify its processes to ensure payments are not being forwarded to financial institutions outside the United States. The Center must ensure it follows the federal requirements mandated by the Office of Foreign Assets Control.

## Center Response

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*The Center's management provided training to our Vendor Services team on setting up direct deposit for vendors. The training emphasized the importance of not allowing direct deposit for vendors that will forward payment to financial institutions outside the United States. Additionally, management is conducting routine audits of direct deposit set-ups.*



# 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),
  - 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 Texas Tech University Health Science Center at El Paso (Center) payroll, purchase/procurement, grant, and travel transactions that processed through USAS and HRIS from June 1, 2022, through May 31, 2023, 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.

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 the Center's documents comply in the future. The Center 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**

*Eunice Miranda, CTCD, CTCM, Lead Auditor*

*Amanda Price, CFE, CTCD, CTCM*

*Scottie Compton, CTCD, CTCM*



## 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"><li>Lack of appropriate and sufficient evidentiary matter.</li><li>Restrictions on information provided to auditor.</li><li>Destruction of records.</li></ul>	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.