



An Audit of the **University of Houston System**

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the University of Houston System (System):

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

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2022, through Feb. 28, 2023.

Background

The University of Houston System is the region's largest provider of comprehensive university services, serving more than 75,000 students with an annual budget over \$2.07 billion. The System includes the University of Houston, the University of Houston – Clear Lake, the University of Houston – Downtown and the University of Houston – Victoria, with instructional sites in Katy, Northwest Houston, Pearland and Sugar Land.

University of Houston
System website

<https://www.uhsystem.edu/>


Audit Results

The System largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. However, the System should consider making improvements to its human resources and payroll processes.

The auditors reissued one finding from the last audit conducted at the System related to incorrect calculation of an employee's prior state service. Auditors originally issued this finding in November 2016. An overview of audit results is presented in the following table.



Table Summary

Area	Audit Question	Results	Rating
Payroll and Personnel Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	 Incorrect state effective service date/longevity under/overpayments. <ul style="list-style-type: none">• Incorrect reporting to HRIS.• Missing benefit replacement pay documentation.	Compliant, Findings Issued
Payment Card Transactions	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Missing vendor compliance verification – warrant hold check	Compliant, Findings Issued
Travel Card Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant

 Repeat Finding

Key Recommendations

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

- The System must correct the state effective service date for the relevant employees and should review and update its internal controls to prevent incorrect longevity payments.
- The System must ensure all payroll and personnel financial transactions are reported to the Human Resource Information System (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.
- The System must ensure employees are receiving benefit replacement pay (BRP) if they are entitled to receive it. System policies must cover documenting and tracking BRP payments.
- The System must improve controls to ensure required payment hold checks are performed and documented. The System must retain results as evidence in the procurement file.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$266,899.35 from a group of 17 employees and 66 payroll transactions to ensure the System 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. A limited sample of five voluntary contribution transactions was also audited with no exceptions identified.

Incorrect State Effective Service Date/Longevity Under/Overpayments

Auditors identified three employees in the sample with incorrect state effective service dates in the System's internal payroll/personnel system. The System did not verify prior state service, and consequently omitted prior service time for two of the employees and incorrectly credited additional service time to the third. This resulted in an incorrect effective service date for all three employees, longevity underpayments totaling \$2,060 and \$300 for two employees, and longevity overpayments totaling \$220 for one employee.

When an agency hires an employee, the agency must research whether the employee has prior state employment. If prior employment exists, the agency must confirm the amount of lifetime service credit and record it properly or risk incorrect longevity pay. See [Longevity Pay](#) and [Lifetime Service Credit](#) in Texas Payroll/Personnel Resource.

Recommendation/Requirement

The System must correct the state effective service date for these employees and should review and update its internal controls to prevent incorrect longevity payments. The System must compensate the two underpaid employees for the underpayments and collect the overpaid amount from the third employee. See [Texas Payroll/Personnel Resource - Correcting Underpayments of Compensation](#) and [Overpayments](#).

System Response

The university reviewed the internal calculation formula for longevity and compared the calculation to the Comptroller's Service/Longevity formula. In doing so, the university updated the effective service date standard operating procedures to reflect the accurate calculations.

Moving forward, the university has ensured it will utilize the updated operating procedures.

Furthermore, the university continues to utilize the applicant tracking system to retain information on prior state service for incoming employees and continues to maintain the Prior State Service website as well.

The benefits service date has been corrected for these employees and payments made.



Incorrect Reporting to HRIS

Auditors identified six employees in the sample whose salary actions were not accurately reported in the Human Resource Information System (HRIS). Five employees' promotions, equity adjustments and merit increases were not reported as salary actions and one employee's promotion and merit increase were entered incorrectly. The System cited a programming error in the transfer of data from its payroll system to HRIS as the cause of these errors.

Institutions of higher education must report personnel and payroll events 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 to provide statistics to legislative and oversight bodies, media and the general public. If the Comptroller's office detects an error in a state agency's reporting of this information, it alerts the agency, which must then correct the error according to Comptroller's office requirements.

Recommendation/Requirement

The System 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.

System Response

The university has already done some programming modifications previously to align with the reporting required by the Comptroller's office. The university will continue to audit all reason codes and classifications to ensure the employee demographic interface and payroll data interface are providing accurate information as per the Comptroller HRIS system.

Missing Benefit Replacement Pay Documentation

Auditors identified one employee in the payroll sample who was eligible to receive benefit replacement pay (BRP). The System was unable to provide documentation that the employee was receiving BRP as part of their compensation. The System appears to have merged the BRP into the employee's salary in 1996 and no longer tracks it separately.

Institutions of higher education must ensure the total compensation paid to BRP-eligible employees includes their BRP entitlements. Institutions are required to keep sufficient records to prove they meet the requirement and must make those records available to the Comptroller's office on request. See [Texas Payroll/Personnel Resource - Benefit Replacement Pay for Institutions of Higher Education](#).



Recommendation/Requirement

The System must ensure employees entitled to receive BRP receive it. The System should review and update its policies for documenting and tracking BRP to ensure eligible employees are receiving their benefits.

System Response

The state-paid FICA benefit was dissolved on Jan. 1, 1996, at which time, per university guidelines, employees that met the eligibility were compensated for benefit replacement pay and the university absorbed the BRP into the employee salary structure.

Comptroller Response

Both the Comptroller's FM 96-37 policy statement and the current [Texas Payroll/Personnel Resource \(TPPR\)](#) indicate that institutions of higher education are responsible for ensuring eligible employees' compensation is increased the full amount of their authorized BRP over what they would be compensated if they were ineligible for BRP. They must ensure the total compensation paid to their eligible employees includes BRP entitlements, and are required to keep sufficient records to prove they meet this requirement. Institutions must make those records available to the Comptroller's office on request.

Although the December 1996 university guidelines resulted in a BRP pay increase to eligible employees, they do not address the BRP record-keeping requirement in Comptroller policy. Consequently, the System did not keep records of how much BRP was added to base pay in 1996, nor does the System have a record of how much BRP should be added to the compensation of any newly hired employees who meet the eligibility criteria. This leaves the System unable to prove that BRP is paid to eligible employees.

Payment Card Transactions

Auditors developed a sample of 10 payment card transactions totaling \$27,013.02 to ensure that the System complied with the GAA, eXpendit (FPP I.005) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing or Late Vendor Compliance Verification – Warrant Hold Check

The System was unable to provide proof that it performed a review of the state's warrant holds for nine payment card transactions before making the purchases. Several of the payment hold checks provided by the System were dated after purchases. The initial warrant hold check must be done within seven days before purchase or contract execution. According to the System, card users began to save the warrant hold check documentation to purchase files on Sept. 1, 2022. Six of the nine missing or late warrant hold checks were for purchases made before that date.



The System 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 – Local Funds](#) and [Payment Card Purchases](#). The System may not proceed with a purchase made with local funds or a payment card purchase over \$500 until the warrant hold is released. For transactions involving a written contract, the warrant hold check must be performed no earlier than the seventh day before contract execution and no later than the date of contract execution if payments under the contract will be issued with local funds. If the vendor is on warrant hold, the System may not enter into a written contract with the person unless the contract requires the System's payments under the contract to be applied directly to eliminating the person's debt or delinquency. The requirement specifically applies to any debt or delinquency, regardless of when it arises. See [Texas Government Code, Section 2252.903\(a\)](#) and [eXpendit – Persons Indebted to the State](#).

Recommendation/Requirement

The System must improve controls to ensure it conducts all applicable vendor compliance verifications before any purchase, contract award, extension or renewal, and must retain results from the specified website in the procurement file as evidence.

System Response

The vendor hold status check has always been required for P-Card purchases over \$500; however, the documentation of the verification became a requirement effective Sept. 1, 2022. This update was communicated through the College/Division Administrators meeting and e-mail correspondence.

In order to ensure compliance, we have further taken the following actions:

- Updated our P-Card policy to refer to instructions on the documentation requirement for applicable vendor compliance verification.*
- Updated the University Controller's website to state the documentation requirement and to include additional information and clarification. This comprises the timing of vendor compliance verification (i.e., no earlier than the seventh day before the transaction and no later than the transaction date) and information associated with multiple transactions for the same vendor, which may exceed \$500 on the same day.*
- Reiterated the requirement in the annual mandatory training for cardholders and business contacts. The training session contains instructions on how to verify/document vendor hold status and when to conduct verifications, and highlights "missing/late vendor compliance verification" as a violation.*
- Revised our P-Card transaction audit process to verify and enforce applicable vendor compliance verifications. A P-Card violation will be taken for non-compliance, and cardholders with violations will be notified through the College/Division Administrators on a monthly basis. We close P-Card accounts with three or more violations for such unauthorized transactions.*



Travel Card Transactions

Auditors developed a sample of 10 travel card transactions totaling \$3,783.95 to ensure that the System complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. 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 the University of Houston System (System) payroll, purchase and travel transactions that processed through USAS and HRIS from March 1, 2022, through Feb. 28, 2023, to determine compliance with applicable state laws.

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