



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

Audit Report #744-24-01
November 22, 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 University of Texas Health Science Center at Houston (Center):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Sept. 1, 2022, through Aug. 31, 2023.

Background

The mission of the University of Texas Health Science Center is to educate health science professionals, discover and translate advances in the biomedical and social sciences, and model the best practices in clinical care and public health.

University of Texas Health Science
Center at Houston website

<https://www.uth.edu/about/>

Audit Results

The Center largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found no issues with revenue refunds, payment and travel card transactions and property management. However, the Center should consider making improvements to the Center's payroll and procurement processes.

The auditors reissued two findings from the last audit conducted at the Center related to incorrect payroll transactions. Auditors originally issued these findings in Aug. 2016. An overview of audit results is presented in the following table.



Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"> • Incorrect education stipend payment amount. 🔄 Incorrect payment of relocation expenses. 🔄 Incorrect lifetime service credit/Incorrect hazardous duty pay and longevity pay. • Incorrect Human Resource Information System (HRIS) reporting. 	Compliant, Findings Issued
Purchase, Payment Card and Contract Transactions	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"> • Missing vendor compliance verifications. • Missing statutory authority for purchase. • Late reporting to the Legislative Budget Board (LBB). 	Compliant, Findings Issued
Refund of Revenue Transactions	Did refund of revenue transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Payment and Travel Card transactions	Did payment and travel card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant
Targeted Analysis	Did targeted analysis transactions comply with the GAA, pertinent statutes, and Comptroller requirements	<ul style="list-style-type: none"> • Faculty receiving longevity pay. • Benefit replacement pay not calculated. • Missing confidential treatment of information acknowledgement form. • Incorrect Texas identification number. 	Compliant, Findings Issued

Repeat Finding



Key Recommendations

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

- The Center should enhance its internal controls to ensure commissioned peace officers are receiving the correct amounts of stipend pay to prevent any future incorrect payments.
- The Center must ensure that state funds are not used for relocation expenses.
- The Center must verify prior state service data for employees working in hazardous duty positions to ensure they are receiving lifetime service credit for all eligible periods of employment in hazardous duty positions.
- The Center must review and modify its system processes and provide training to relevant personnel to ensure all required entries in HRIS are reported accurately and completely.
- The Center must conduct all required and 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.
- The Center must update its policies and/or procedures to ensure it does not purchase goods or services with appropriated funds that it does not have statutory authority to purchase.
- The Center must ensure it reports contract awards including amendments to the LBB to comply with the [General Appropriations Act, Article IX, Section 7.04](#) and the [LBB Contract Reporting Guide](#).
- The Center must review its processes for changing an employee's classification to or from faculty and ensure that longevity pay is included only when eligible.
- The Center must calculate benefit replacement pay for each eligible employee and maintain that figure for reference.
- The Center must ensure no user can access the statewide financial system before signing a Confidential Treatment of Information Acknowledgement form and that the forms are retained for the required period.
- The Center must report details of each transaction to USAS as required by [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#).



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$566,587.86 from a group of 30 employees involving 125 payroll transactions to ensure the Center complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed exceptions in this group of transactions. Additionally, a limited sample of 20 voluntary contribution transactions were audited with no exceptions identified.

Incorrect Education Stipend Payment Amount

Auditors identified one employee who received education stipend payments higher than that allowed by the Center's policy. The employee was a peace officer who held a Juris Doctor degree and had been a licensed attorney for at least 16 years. The Center paid the employee an education stipend of \$8,000 per year (\$333.33 monthly), when its policy offered only \$6,000 per year (\$250.00 monthly) for the Juris Doctor degree. This resulted in an apparent overpayment of \$2,999.88 during the time the policy was in effect from Sept. 1, 2022 to the most recent stipend payment in March 15, 2024.

The Center responded that the policy document for education stipends effective from Sept. 1, 2022, to Aug. 31, 2025 is incorrect, and should include an \$8,000 per year level paid to licensed attorneys and holders of a PhD. The Center provided evidence of prior policies that included the \$8,000 level, and the employee in this case had, in fact, been paid at that level in the past. The Center had continued the practice of paying \$8,000 for licensed attorneys and PhDs and had not noticed the error or amended the 2022-2025 education pay policy.

Recommendation/Requirement

The Center must either amend the education policy to be consistent with its intended and actual practices, or it must recoup excess funds it has paid to holders of PhDs and licensed attorneys in accordance with [Texas Government Code, Section 666](#). If the issue is an incorrect policy document, the Center should audit the potentially affected recipients of PhD or licensed attorney level pay and determine whether the policy error caused incorrect stipend amounts to be paid.

Center Response

We will enhance our internal controls to ensure that commissioned peace officers receive the correct stipend payments. We will comprehensively review our current processes and implement additional checks to prevent future errors.

HR Compensation will require the department to submit degree documentation with the transactions. HR Comp will review transaction/documentation along with policy to ensure that the correct amount is paid. HR Comp will also review pay plans each fiscal year.



Incorrect Payment of Relocation Expenses

Auditors identified three employees who received relocation reimbursements in error. The Center provided internal payroll system screen prints that identified the expenses as relocation reimbursements. The Center also provided a copy of an offer letter to one of the three employees. The letter indicates that if the offer is accepted, the Center will pay relocation expenses up to 1/12 of the person's total compensation, up to \$50,000, paid after an estimate of the expenses is submitted and approved by the Center's President in advance. The letter also indicates that if the employee does not remain in the position for at least 12 months, the employee will have to repay these expenses. The three employees received relocation reimbursements totaling \$73,749.99.

The Center indicated the relocation/moving expenses would be reimbursed through a payroll supplement, that the amount would not exceed one-month base compensation of the new employee and that they would be reported to the Internal Revenue Service as taxable income. Additionally, the Center cited an institution procedure; policy number 143 – [Employee Recruitment](#) that indicates prospective employees may be eligible for reimbursement of certain expenses related to the interview and/or relocation/moving process.

Under [Government Code, Section 2113.204](#) and [eXpendit – State Employees – Moving Expenses](#), institutions of higher education do not have the authority to use appropriated funds to make payments that are characterized as relocation expenses for a new employee, whether the payments are described as reimbursement for moving or relocation expenses, moving or relocation stipends or allowances, moving or relocation pay, or moving or relocation bonuses or benefits.

Recommendation/Requirement

The Center must ensure that all reimbursements are reviewed properly for validity and accuracy and ensure it is in compliance with all applicable statutes and regulations. State funds may not be used for relocation expenses. The funds should be returned to the state treasury.

Center Response

Budget instructions have been updated to prohibit the use of state funding for relocation payments. Our finance department will also conduct periodic audits to confirm compliance with this policy.

Incorrect Lifetime Service Credit/Incorrect Hazardous Duty Pay Amounts and Longevity Pay

Auditors identified two employees who received incorrect entitlement payment amounts. One received incorrect amounts of hazardous duty pay and the other employee received incorrect amounts of both hazardous duty and longevity pay.



One of the two employees who received an incorrect hazardous duty pay amount was not credited with state service time for a prior hazardous duty employment; therefore, the hazardous duty lifetime service credit time recorded by the Center was not correct. This resulted in a hazardous duty pay underpayment of \$920. The other employee's lifetime service credit was correct, but the Center was paying incorrect amounts of hazardous duty pay. This resulted in a hazardous duty pay overpayment of \$7,070.

The second employee was also receiving longevity pay in error. The employee's entire state employment history was with the Center and from the initial date of hire Oct. 19, 2015, the employee had only been working in hazardous duty positions, thus making the employee ineligible for longevity pay. This resulted in a longevity pay overpayment of \$3,200.

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. 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](#).

The Center states the incorrect payments of hazardous duty and longevity pay occurred because the responsible department requires additional training on Center policies and procedures.

Recommendation/Requirement

The Center should require hazardous duty and longevity policy and procedure training to personnel to ensure employees only receive the applicable entitlements they are eligible for. The Center must verify prior state service data for employees working in hazardous duty positions to ensure they are receiving lifetime service credit for all eligible periods of employment in hazardous duty positions.

The Center should consider recovering the hazardous duty and longevity overpayments made to employees in accordance with [Texas Government Code, Chapter 666](#). Additionally, the Center must compensate the employee who was underpaid hazardous duty pay. See [34 Texas Administrative Code Section 5.40\(c\)](#).

Center Response

We will review and modify our HRIS processes to ensure that all required entries are accurately reported. We will also provide targeted training to relevant personnel to enhance their understanding of the system requirements.

An automated process has been implemented to identify peace officers receiving longevity and hazardous duty pay.



Incorrect Human Resource Information System (HRIS) Reporting

In a review of the payroll transactions, auditors noted that the Center did not report payroll transactions for three temporary employees. Auditors also noted an incorrect comptroller object used to record 48 transactions for 17 of the 30 employees in the sample. Payroll transactions must be reported in HRIS using the comptroller objects that match those used in the corresponding transactions recorded in USAS. Additionally, in a report outside of the sample, auditors identified two employees who had incorrect benefit replacement pay (BRP) indicators recorded in HRIS.

The Center must report payroll information for temporary student employees (who are typically hired to work during short periods such as during registration and seminars), to HRIS using entitlement code TSK, regardless of the funding source. See [HRIS Reporting Requirements – Higher Education \(FPP M.005\)](#).

The Center reported all sampled payroll transactions in HRIS using comptroller object 7015 – Higher Education Salaries – Classified Employees or comptroller object 7010 – Higher Education Salaries – Professional/ Administrative Employees, which did not match the comptroller object used to record the transactions in USAS.

Additionally, auditors identified two employees who were not eligible for BRP at time of hire and should have been reported by the Center with the correct BRP indicators. The employees terminated employment with other entities after September 2005 and in order to maintain BRP eligibility, should have been hired within 30 days of termination, which was not the case for either employee.

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\(h\)-\(i\)](#).

Recommendation/Requirement

The Center must review and modify its system processes and provide training to relevant personnel to ensure all required entries in HRIS are reported accurately and completely. Auditors recommend the Center enhance its internal system to ensure it reports to HRIS:

- All pertinent information accurately.
- Temporary, casual, or sporadic worker payroll information.
- Payroll transactions using the correct comptroller object code.
- Correct BRP indicators.



Center Response

We will review and modify our HRIS processes to ensure that all required entries are accurately reported. We will also provide targeted training to relevant personnel to enhance their understanding of the system requirements.

HRIS report was updated to include current object codes.

Other requirements for HRIS reports are currently being reviewed for accurate reporting.

Purchase Transactions

Auditors developed a sample of 25 purchase transactions totaling \$5,780,918.03 to ensure that the Center complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing Vendor Compliance Verifications

Auditors identified the following instances where the Center was unable to provide evidence of performing the vendor compliance verifications (VCV) for purchase transactions reviewed. The Center must provide evidence, such as a dated screen print, showing that each verification was performed.

Missing System for Award Management (SAM) and Office of Foreign Assets Control (OFAC) Checks

The Center did not search the SAM database for one purchase transaction. The Center must check the SAM database to verify the vendor is not excluded from grant or contract participation at the federal level. Additionally, a contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions). See [Presidential Executive Order 13224](#) and [State of Texas Procurement and Contracts Management Guide](#) – Vendor Compliance Verifications.

Iran, Sudan, and Foreign Terrorist Organization List Check

The Center was unable to provide proof that staff conducted the Iran, Sudan, and foreign terrorist organization checks for 15 purchase transactions. However, the Center has implemented this vendor verification into their procurement process. The Center may not contract with a company doing business with Iran, Sudan, or a foreign terrorist organization. See [Texas Government Code, Sections 2252.001, 2252.151\(4\) and 2252.152](#). Before award, the Center must check the divestment lists to confirm the potential awardee is not in violation of this requirement. See [Texas Government Code, Section 2252.152](#). The divestment lists are maintained by the Texas Treasury Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#). If the business is in violation, an agency may not award the contract to that vendor.



Warrant Hold Check

The Center did not document warrant hold status verifications before making 17 purchase transactions. According to the Center, the vendor compliance verifications were not consistently applied to all purchase transactions.

State agencies and institutions of higher education are required to verify warrant 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 Center may not enter a written contract with the vendor unless the contract requires the Center's payments under the contract to be applied directly toward eliminating the vendor's debt or delinquency, regardless of when it arises. See [Texas Government Code, Section 2252.903\(a\)](#), and [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

Recommendation/Requirement

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

Center Response

We will ensure all required and applicable vendor compliance verifications are conducted before any purchase, contract award, extension, or renewal. Our procurement team will retain evidence of compliance results as part of our procurement file.

Our corrective action plan includes integration with Descartes Visual Compliance's suite of restricted party screening solutions which helps organizations avoid doing business with denied or sanctioned parties, and mitigates the risk of compliance violations.

Integrating Descartes Visual Compliance will flag the following checks for further review with the UTHHealth Supplier Management team via Visual compliance:

- 1. Debarment Check*
- 2. Federal Database Check*
- 3. Scrutinized Companies with Ties to Iran*
- 4. Scrutinized Companies with Ties to Sudan (same VC code/list as above Financial)*



5. *Companies that Boycott Energy Companies*
6. *Companies that Boycott Israel*
7. *Designated Foreign Terrorist Organizations*
8. *State of Texas Warrant Hold Check: We have an automated process where UTHealth has integrated with the Comptroller's office to conduct vendor checks on a nightly basis.*

Our procurement procedures will be updated to reflect the process described above.

Missing Statutory Authority for Purchase

The Center purchased flowers on one transaction for three employees during the 2022 Christmas holiday. The Center provided auditors with its policy for purchasing flowers and floral arrangements. Within the Center's policy it states, "Gifts cannot be paid with State Funds...". The Center requested reimbursement for this transaction from appropriated funds without having statutory authority to do so. The Center stated that the payment was an oversight and the reimbursement requested was in error.

The Center does not have specific or implied authority to spend appropriated funds on flowers, floral arrangements, or gifts for employees. See [eXpendit - General Provisions - Responsibilities of State Agencies - Statutory Authority for Purchases](#) and [Attorney General Opinion JC-0350 \(2001\)](#). A state agency may not purchase flowers, floral arrangements or plants for a state officer or employee or for the friends or family of a state officer or employee. See [eXpendit State Employees - Expenditures Related to State Officers and Employees - Flowers, Floral Arrangements or Plants for Employees](#).

Recommendation/Requirement

The Center must update its policies and/or procedures and enhance its internal controls to ensure that it does not purchase goods or services with appropriated funds that it does not have statutory authority to purchase. The funds should be returned to the state treasury.

Center Response

We will review and update our policies and procedures to ensure that we have the proper statutory authority for the purchase of goods and services using appropriated funds.

On the 10th of each month, we receive the Monthly Data Analytics report from audit. This report contains the prior month's data on nine key areas we proactively monitor. One of those areas is state fund activity. The state funds data lists all transactions using a state fund code during the prior month.



We review each item on the list to verify that the account code used is authorized for state funds. If it is determined that state funds were misused, we email the department to inform them that they must do a cost transfer journal entry to correct the issue. The department will let us know once it is completed.

Late Reporting to the Legislative Budget Board (LBB)

The Center failed to report five contracts/purchase orders to the LBB within the required timeframe. The Center stated these transactions predate its internal changes to improve efficiency with LBB reporting.

According to the [General Appropriations Act, Article IX, Section 7.04](#), a state agency or institution of higher education must report any contract over \$50,000 to the LBB before the 30th calendar day after awarding the contract. 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

The Center must report all applicable contracts to the LBB to comply with the [GAA, Article IX, Section 7.04](#) and the [LBB Contract Reporting Guide](#).

Center Response

We will ensure that all contract awards, including amendments, are reported to the LBB as required by the General Appropriations Act and the LBB Contract Reporting Guide.

In 2022, we participated in a University of Texas initiative, where we implemented a robotic process automation tool that submits nightly reports to the LBB. In 2024, we updated the tool to capture the correct submission date for change order amendments. These reports ensure all applicable contracts and required documentation are submitted to the LBB according to contract reporting guidelines and required time frames.

Refunds of Revenue Transactions

Auditors reviewed two revenue refund transactions totaling \$2,472.18 to verify adequate documentation and reasonable justification. Audit tests revealed no exceptions in these transactions.

Payment and Travel Card Transactions

Auditors reviewed 10 payment card transactions totaling \$27,905.60 and 10 travel card transactions totaling \$1,773.69 to verify the purchases were made in accordance with payment card program rules and were authorized by law. Audit tests revealed no exceptions in these 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 location and properly recorded in the Center's property accounting system. Audit tests revealed no exceptions in these transactions.

Targeted Analysis

The audit included targeted analyses outside the main samples of payroll and purchase transactions. Using Comptroller statewide financial systems and the Citibank CitiManager Reporting System, 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.

Faculty Receiving Longevity Pay

Longevity pay is a non-salary pay item for eligible state employees based on total state service. It is a standardized amount that begins after a certain term of service and increments periodically throughout the years of state employment. Certain employees, including contractors, part-time workers, elected officials, and faculty at institutions of higher education are NOT eligible to receive this entitlement. See [Texas Payroll/Personnel Resource - Non-Salary Payments - Longevity Pay](#). According to a report comparing job classifications with pay types and amounts, two employees were receiving longevity pay while serving as faculty at the Center. The Center reviewed the two employees and determined they had received longevity pay of \$360 in error.

Recommendation/Requirement

The Center must review its processes for changing an employee's classification to or from faculty and ensure that longevity pay is included only when the employee is eligible. The Center should return \$360 to the state treasury.

Center Response

An automated system process was created to exclude faculty from receiving longevity pay. We will return the \$360 to the state treasury.



Benefit Replacement Pay (BRP) Not Calculated

During discussion of the matter, the Center indicated that it does not specifically track BRP, but ensures employees are paid highly enough in the salary range to cover any BRP that might be due.

The current Texas Payroll/Personnel Resource – Institution of Higher Education Provisions – [Benefit Replacement Pay for Institutions of Higher Education](#) policy requires institutions of higher education to ensure that total compensation paid to their eligible employees includes their BRP entitlements and to keep sufficient records to prove they meet this requirement and must make those records available to the Comptroller’s office on request. Since the Center does not customarily compute and maintain the BRP figure for eligible employees, it was not in compliance with this policy.

Recommendation/Requirement

The Center must compute the BRP amount for each eligible employee, track, and maintain those figures for reference. Records of any pay actions must include that BRP over the amount the employee would have been paid if ineligible for BRP and the appropriate calculation used to compute the compensation rate for employees with unusual circumstances, transferees, or return to work retirees to prove the Center met the requirements.

Center Response

We will review our current procedures to ensure this figure is correctly determined and consistently maintained for reference.

Missing Confidential Treatment of Information Acknowledgement (CTIA) Form

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 needs access to Comptroller systems, the agency or institution’s security coordinator has the user read and sign the CTIA form. Audit tests revealed one employee had access to Comptroller systems, but the Center could not produce the signed CTIA form. An acknowledged CTIA form must be kept by the Center for the length of the user’s employment or contract, plus five years. See [Access Requirements for Comptroller Systems \(FPP K.015\)](#).

Recommendation/Requirement

The Center must enhance its procedures to ensure no user can access the statewide financial systems before signing a CTIA form; and must ensure that staff retains signed CTIA forms for the required period.



Center Response

We will implement enhanced controls to ensure no user gains access without signing the Confidential Treatment of Information Acknowledgement form. We will also ensure that these forms are properly retained for the required period.

Incorrect Texas Identification Number (TIN)

The Center, like other institutions of higher education, spent non-appropriated funds for purchases, then requested reimbursement from the state. However, instead of reporting each transaction listing the vendor and the amount separately, the Center sent batches of multiple single reimbursement lines, listing itself as the vendor. Auditors noted 1,032 transactions reimbursing local funds totaling \$28,853,634.54, 60 payroll reimbursements totaling \$12,830,963.92 and 26 travel reimbursements totaling \$45,917.58 using the incorrect TIN.

This causes the identity of the providers of goods and services to the Center to be obscured from state financial reporting. This practice also loses detailed information about the component transactions, such as the true appropriation year from which the funds should be taken, and affects the Center's reporting of purchases, payroll and travel transactions.

Transactions involving state funds are reported in the Uniform Statewide Accounting System (USAS), which requires coding expenditures for accounting treatment specific to each transaction. A correct TIN is necessary to identify the actual vendor/individual doing business with the state. See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\) \(login required\)](#), which explains how state agencies must use T-codes, TINs, and comptroller objects to process third-party payments through USAS.

Improper processing procedures can result in the inaccurate reporting of expenditures for public information requests. This information is essential to an accountable and open government. It is also used for open records requests and is required for post-payment auditing purposes. The options for an institution to comply with FPP A.043 may include manually entering the required data, implementing system changes, or not seeking state reimbursement for purchase cards.

According to the Center, the software linking its accounting system to USAS has been non-functional for several years. The Center reports each transaction for reimbursement by manual data entry, and there is an overwhelming volume of individual transactions.



Recommendation/Requirement

The Center must report details of each transaction when processing third-party transactions and ensure that USAS, the accounting system of record for the state of Texas, includes proper vendor and employee-level detail as required by FPP A.043. We recommend the Center devote resources to repairing its accounting system to efficiently communicate with USAS.

Center Response

We will work with our Information Technology department to correct issues with our accounting system, so reimbursable transactions will be sent electronically to USAS with all required fields in accordance with FPP A.043. Additionally, we will conduct periodic reviews to ensure compliance going forward.



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 the statewide financial systems.
- 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 Houston (Center) payroll, purchase and travel transactions that processed through USAS from Sept 1, 2022, through Aug. 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.

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

Scott Coombes, CISA, CISSP, CTCD, CTCM, Lead Auditor

Scottie Compton, CTCD, CTCM, Purchasing Auditor

Anna Calzada, CTCD, CTCM, Payroll Auditor



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.