



An Audit of the **Texas State Technical College System**

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas State Technical College System (System):

- 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 Dec. 1, 2022, through Nov. 30, 2023.

Background

The Texas State Technical College System was founded in 1965 as a two-year institution of higher education offering courses of study in technical vocational education. The System contributes to the educational and economic development of the state of Texas by offering occupationally oriented programs with an emphasis on highly specialized advanced and emerging technical and vocational areas for certificates and associate degrees.

Texas State Technical College
System website

<https://www.tstc.edu>

Audit Results

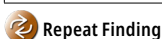
The System largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found no issues with travel card, grant, and refund of revenue transactions, fixed assets, and property management. However, the System should consider making improvements to its payroll, purchase, and payment card processes.

The auditors reissued two findings from the previous audit conducted at the System related to payment of overtime and dual employment. Auditors originally issued these findings on May 17, 2019. 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 lump sum payment of accrued vacation time• Missing personnel action forms/ approvals for payroll actions• Missing statutory authority for payroll payments• Underpayment of overtime• Missing documented dual or multiple employment notifications and policy	Compliant, Findings Issued
Purchase and Payment Card	Did purchase and payment card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none">• Missing vendor compliance verifications• Prompt payment and payment scheduling errors	Compliant, Findings Issued
Travel Card Transactions	Did 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
Grants	Did grant transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Refunds of Revenue	Did refund of revenue transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Targeted Analysis	Did targeted analysis 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:

- Improve the current payroll processes to prevent incorrect payments of accrued vacation time and overtime.
- Ensure completed and signed documentation is created and maintained for employee salary actions and ensure documentation includes all required information.
- Ensure payroll reimbursements are valid, accurate, and do not include any unallowable amounts.
- Ensure overtime payments are correctly calculated.
- Ensure dually employed employees are identified and are properly compensated.
- Ensure all vendor compliance verifications are conducted prior to any purchase, contract award, extension and/or renewal.
- Ensure payment information is submitted for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities, and verify due dates to ensure interest is paid correctly.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$780,547.76 from a group of 30 employees involving 224 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. Additionally, a limited sample of 10 voluntary contribution transactions were audited with no exceptions identified.

Incorrect Lump Sum Payment of Accrued Vacation Time

Auditors identified six instances where lump sum payments for accrued vacation time were incorrectly calculated resulting in four underpayments and two overpayments to the employees.

The lump sum payment calculation for the four employees with underpayments did not include the holiday hours that should have been credited when calculating the payment amount. The calculation for the two employees with overpayments included credit for more holiday hours than allowed for the pay period.

The balance of the accrued vacation time must be allocated completely over the workdays following the effective date of the employee's separation from state employment. Hours must be added for each state or national holiday that occurs during the period over which the time is allocated. See [Texas Government Code, Section 661.064](#).

Recommendation/Requirement

The System must improve its current payroll processes to prevent incorrect payments of accrued vacation time. The System may recover the overpayments in accordance with [Texas Government Code, Chapter 666](#) and must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40\(c\)](#).

System Response

The calculation payout sheet was not consistently used in payroll to verify employees' eligibility for a Holiday Payout. This process requires manual intervention by Payroll, and after extensive research and discussions with Workday Consultants, it has been confirmed that automation is not feasible.

Effective March 1, 2025, HR Generalists will process the calculation sheet for Holiday Payouts for all separating employees. Payroll will validate the information and work with the Generalists to resolve any discrepancies, ensuring the correct amount is paid.



We are working on compensating the employees for the underpayments identified during the audit. Regarding those overpaid, we have decided not to proceed in collecting those amounts as it is not cost effective to do so.

Missing/Incomplete Documentation

During the review of the payroll transactions, auditors identified one employee who did not have documentation in the personnel file to support the amount paid to the employee. While a memo was provided approving the issuance of a bonus/one-time merit, the approved amount and effective date were not included in the document. The personnel action form or other approval document that is used to support an action concerning a state employee must contain the following information: the action taken and its effective date, the dated signature of an employee authorized to approve personnel actions, and the position type, employee type, job title, and salary before and after the action. See [Texas Payroll/Personnel Resource – General Provisions, Required Documentation](#).

Recommendation/Requirement

The System must ensure that completed and signed documentation is created and maintained as evidence that all employee salary actions, and compensation amounts are accurate, proper, and appropriately authorized. Required documentation includes, but is not limited to, authorized approvals for all employee salaries or salary actions.

System Response

TSTC is ensuring approvals and supporting documentation remain within Workday (TSTC ERP) for compensation changes that were requested within and outside of the system.

Missing Statutory Authority for Reimbursement

Auditors identified four employees in the payroll sample that received a cash payment of \$2,500 as an employee award. A state agency may use appropriated money to purchase awards to be presented to employees for professional achievement or outstanding services. However, the cost of awards purchased may not exceed \$100 per employee. See [Texas Government Code, Section 2113.201](#) and [eXpendit – Expenditures Related to State Officers and Employees – Employee Awards](#). The System stated that it was unaware of the restrictions on bonuses other than one-time merits. As these employee salaries are paid using appropriated funds, the System thought it could request reimbursement for all salary actions for the employees.



Recommendation/Requirement

The System must update its policies and procedures to ensure it does not request reimbursement for payroll expenses from appropriated funds if it does not have statutory authority to do so. Additionally, the System should refund the state treasury for the unallowable award.

System Response

TSTC will double check any new pay items that come up to ensure statutory authority exists to use appropriated funds and will otherwise ensure to pay those payroll expenses from non-statutory/local funds.

We are in the process of identifying the amount due to be reimbursed to the treasury. We will work with the Comptroller to ensure the funds are returned.

Underpayment of Overtime

Auditors identified 16 employees who received an incorrect payment for time earned from working overtime (more than 40 hours in a workweek). The System did not include longevity, hazardous duty, or other special pays in the hourly rate of pay used when calculating the amount owed to the employees. This issue resulted in underpayments for the payments in the sample. According to the System, it was unaware that longevity, hazardous duty, and other special pay amounts were not included. The System implemented a new payroll system in 2022 and believed the overtime calculation did include the required payments. The System is in the process of determining what needs to be done to correct the system calculation.

When additional pay components are not correctly included in the rate of pay, employees will be underpaid for overtime time earned from working more than 40 hours in a workweek. The regular rate of pay for calculating payments for banked overtime hours includes any special payments such as longevity, hazardous duty pay, benefit replacement pay, qualified bonus payments, and other special payments. See [Texas Payroll/Personnel Resource, Non-Salary Payments – Overtime](#).

Recommendation/Requirement

The System must improve its current payroll processes and systems to prevent incorrect overtime payments. All applicable additional pay components must be included in the rate of pay for computing the amount owed to employees. Additionally, the System must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40\(c\)](#).



System Response

The Overtime Payout calculation in Workday will be updated to include Hazardous Duty pay as an eligible wage.

We are working to identify underpayments of overtime to employees and will compensate them for any amounts identified.

Missing Documented Dual or Multiple Employment Notifications and Policy

Auditors identified eleven employees who were missing dual employment notification forms informing the System about their employment with other state agencies and/or institutions of higher education. The employees had other jobs with other state entities and received income from that activity. In addition, the System does not have a written dual employment policy and has not developed forms for employees to use to report dual employment. The System stated that it was implementing a new accounting system at the time this issue was initially raised in a previous audit and as a result, the planned corrective action was not taken.

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 the 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 at both agencies at a rate higher than one full time equivalent employee. 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

To avoid the potential for not compensating an employee appropriately, auditors recommend the System 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 \(Multiple Employments with State\)](#).

System Response

Policy and procedures are being written and additional controls within Workday are being added, such as state-compliant forms and assessment processes.



Purchase and Payment Card Transactions

Auditors developed a sample of 15 purchase transactions totaling \$1,974,368.32 and 25 payment card transactions totaling \$305,430.54 to ensure the System 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 four purchase transactions and eleven payment card transactions containing errors related to the System's duty to perform vendor compliance verifications, as applicable. The System must provide evidence, such as a screen print, showing that each verification was performed. When vendors are not checked prior to purchase or contract award, there is a risk of conducting business with unauthorized vendors or issuing payments to vendors who owe money to the state.

Warrant Hold Check

The System was unable to provide evidence it conducted a warrant hold check for eleven payment card purchases over \$500. While there were a few warrant hold checks provided, they were done after the purchase was made. [Texas Government Code, Section 2252.903](#), requires agencies to verify a vendor's warrant hold status when making a purchase with a payment card over \$500. Agencies must not proceed with payment card purchases until the warrant hold has been released. See [eXpendit – Restricted Expenditures – Persons Indebted to the State](#). According to the System, this occurred due to users in several departments forgetting to conduct the checks prior to the purchase.

Office of Foreign Asset Control (OFAC) Check

The System did not provide evidence that it conducted Office of Foreign Asset Control (OFAC) checks for four purchase transactions prior to contract award. 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 [Executive Order 13224](#). According to the System, this occurred due to inconsistent application of vendor compliance check procedures.

Recommendation/Requirement

The System must conduct all vendor compliance verifications before any purchase, contract award, extension, and/or renewal and must retain dated results from the specified website in its pertinent files as proof of having met these requirements. The System must provide training to its employees on the requirement to perform vendor compliance verifications.



System Response

TSTC uses PaymentWorks for vendor onboarding and compliance monitoring during the requisition-to-purchase order process. The system reviews vendors against compliance listings with daily updates. If a vendor is flagged, TSTC will be notified, contract management will be informed, and the vendor will be inactivated. To ensure compliance, employees and cardholders will receive ongoing training on conducting warrant hold checks before applicable P-card purchases. Non-compliance will be documented and addressed.

Prompt Payment and Payment Scheduling Errors

Auditors identified two purchase transactions that were paid late, and interest was not paid to the vendors. According to the System, this occurred due to inconsistent application of the invoice receipt date by the purchasing team.

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed, or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when it is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#), [eXpendit – Prompt Payment](#) and [Payment Scheduling](#).

Recommendation/Requirement

The System must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the System must verify proper due dates are entered to ensure interest is paid correctly, if due. See [eXpendit – Prompt Payment](#) and [Payment Scheduling](#).

System Response

TSTC has reviewed and updated its payment processing procedures to ensure timely submission and release of payments, preventing interest liabilities. Staff are trained to verify due dates, and the Accounts Payable team monitors invoice terms for compliance.



Travel Card Transactions

Auditors developed a sample of 16 travel card transactions using non-appropriated local funds totaling \$38,570.79 to ensure the System complied with its internal travel and travel card policies and any pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Fixed Assets

The audit included a review of a limited number of fixed assets acquired by the System 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 System's internal tracking system. Audit tests revealed no exceptions in these transactions.

Grants

Auditors developed a sample of two grant transactions totaling \$125,320.00, then conducted a limited review of the System's transactions related to grant payments. The review consisted of verifying that the payments did not exceed the authorized amounts. The testing of these payments did not include a review of the System's procedures for awarding the grants or monitoring payments made to grantees. Audit tests revealed no exceptions for this group of transactions.

Refunds of Revenue

Auditors developed a sample of two refunds of revenue transactions totaling \$11,837.78, then conducted a limited review of the System's transactions related to refunds of revenue payments. The review consisted of verifying that the payments did not exceed the authorized refund amounts and verifying that the reason for the refund was properly documented. Audit tests revealed no exceptions for this group of 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 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 no exceptions in the System's targeted analysis reports.



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.

Audit Scope

Auditors reviewed a sample of the Texas State Technical College System (System) payroll, purchase, and travel transactions that processed through the statewide financial systems from Dec. 1, 2022, through Nov. 30, 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 the System's documents comply in the future. The System must ensure 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.