

A LIMITED DESK AUDIT MISUSE OF COMPTROLLER-ASSIGNED TEMPORARY NUMBERS

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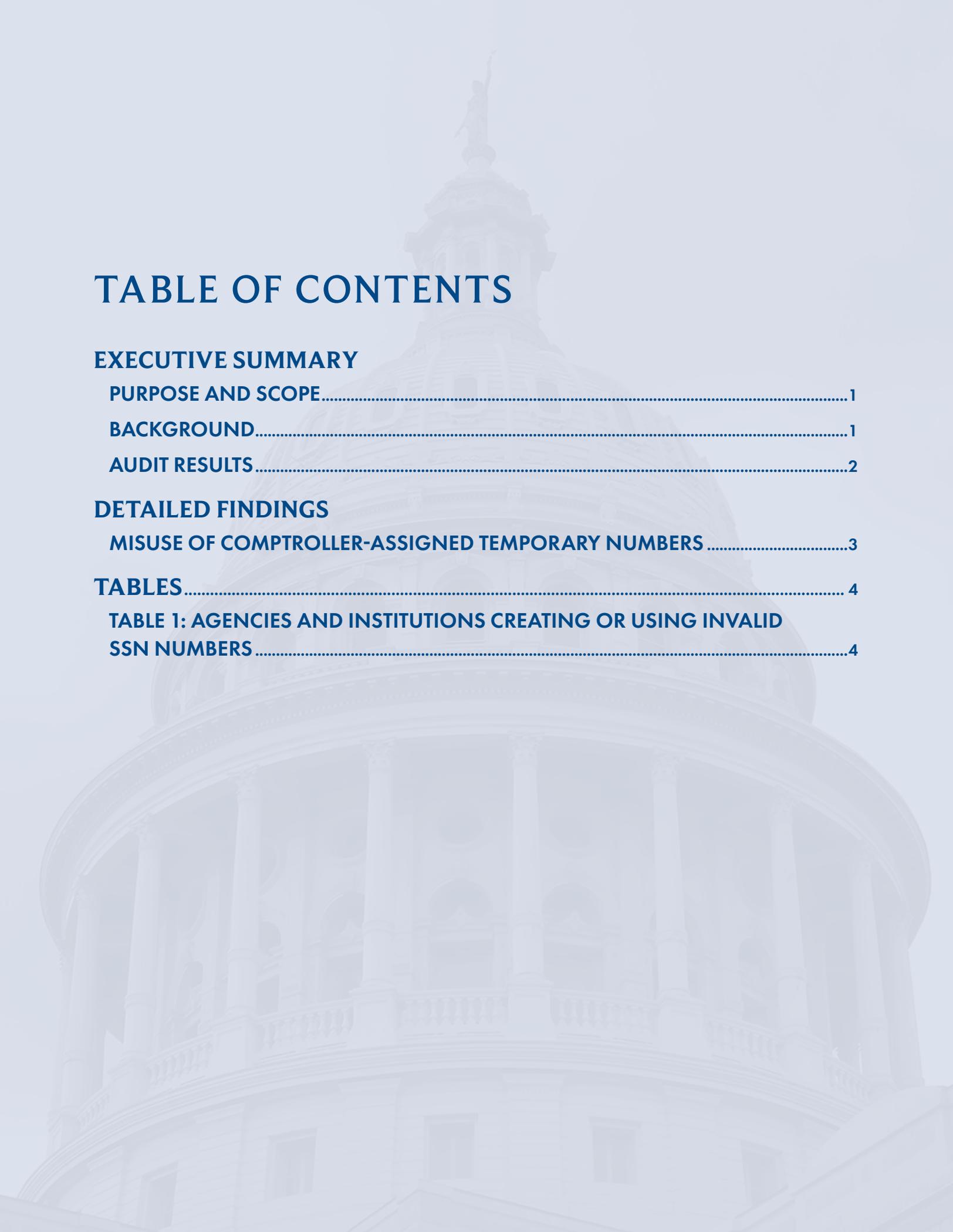


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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Texas Comptroller of Public Accounts (Comptroller's office) performed a limited desk audit to determine whether state agencies (agencies) and institutions of higher education (institutions) complied with requirements for the use of Comptroller-assigned numbers.

The objectives of the audit were to determine whether agencies and institutions:

- Complied with requirements for the use of Comptroller-assigned 3 Texas Identification Numbers (TINs), referred to as temporary numbers.
- and -
- Complied with requirements to properly establish TINs for payees in the Texas Identification Number System (TINS), the statewide financial system that maintains payment information on businesses and individuals who have received or will receive a payment from the state.

The audit consisted of a review of analytical reports that identified invalid Social Security numbers (SSNs) in TINS used to process payments to foreign individuals who reside in the United States. The audit was conducted in accordance with Comptroller policy set forth in [TexPayment Resource – Comptroller-Assigned TINs](#).

BACKGROUND

Before an individual or entity can receive payments from a state agency or institution of higher education through the Comptroller's office, the paying agency must establish a TIN for its payee in TINS. The TIN is an 11-digit number created to identify a payee or state debtor. In most instances, the payee must provide an SSN, individual taxpayer identification number (ITIN), or employer identification number (EIN) to receive a TIN.

Agencies may need to make payments to businesses located outside the United States or to foreign individuals who reside in the United States. If the foreign individual or business does not have an SSN, ITIN, or EIN, then the agency may request a Comptroller-assigned 3 TIN (temporary number). These temporary numbers start with 3. Temporary numbers are only provided for non-employee payment transactions processed through the Centralized Accounting and Payroll/Personnel System (CAPPS) or the Uniform Statewide Accounting System (USAS).



[TexPayment Resource – Comptroller-Assigned TINs](#) requires that when a payee with a temporary number receives an SSN, ITIN or EIN, the agency must submit a [Payee Change Request \(PCR\) \(74-157\)](#) for a number change from the temporary number to the SSN, ITIN or EIN-based number.

The policy also requires that the temporary numbers not be altered in any manner, and that the numbers be set up in TINS as assigned and without alterations. To ensure only current payee information is maintained in TINS, the Comptroller’s office maintains a schedule and criteria for inactivating and purging outdated TINS records.

The policy also states that foreign payees receiving multiple or recurring payments for goods and services should apply for an SSN, ITIN or EIN. Some countries have a treaty with the United States stating which entities are not required to have an EIN to do business within the United States. To determine if a foreign business needs an EIN, the agency should contact the Internal Revenue Service (IRS).

AUDIT RESULTS

Auditors reviewed system data that compared Comptroller-assigned temporary numbers with the TINs for payments to foreign businesses and individuals. Auditors determined that 18 agencies and institutions misused temporary numbers. A total of 685 of these temporary numbers were found to have been improperly altered to create what appears to be an SSN-based TIN number.



DETAILED FINDINGS

MISUSE OF COMPTROLLER-ASSIGNED TEMPORARY NUMBERS

A TINS ad-hoc report identified 18 agencies and institutions that altered 685 Comptroller-assigned temporary numbers to create TINs based on invalid SSN numbers. The ad hoc report shows these agencies and institutions altered those temporary numbers by removing the first digit (the 3) and the last digit (a system generated check-digit) of the temporary number and using the altered 9-digit number to generate an 11-digit TIN for payment processing. The 685 invalid numbers were used one to three times each to process a total of 932 payments.

A TIN created by using a false SSN is invalid and could increase the risk that some of these invalid numbers correspond to actual, valid SSNs, belonging to individuals and businesses who were lawfully assigned these numbers. See [Table 1](#) for the list of agencies and institutions creating or using invalid numbers and how many times those invalid numbers were used to process payments.

RECOMMENDATION/REQUIREMENT

Agencies and institutions must comply with the Comptroller's [TexPayment Resource – Payee Number Requirements](#) policy when setting up a payee's TIN and must obtain a valid SSN for individuals to whom they are issuing payment. The payee record in TINS must be set up with a valid SSN. If an agency must make a payment to a foreign individual or entity who does not have an SSN, ITIN or EIN, then the agency may request a temporary number to set up this payee in TINS. These temporary numbers must not be altered in any way and must be set up in TINS with the full 11-digit number provided by the Comptroller's office. If the individual or entity later provides an SSN, ITIN or EIN to the paying agency they must submit a Payee Change Request (PCR) to the Comptroller's office to merge the two numbers. The Comptroller's office has given each agency and institution the list of improperly set up payee TINs. Invalid TINs are being inactivated by the Comptroller's office. For these numbers to be set up in TINS, the agency must submit a PCR and a copy of the payee's SSN card to the Comptroller's Payment Services section.



TABLES

TABLE 1: AGENCIES AND INSTITUTIONS CREATING OR USING INVALID TINs

AGENCY #	AGENCIES AND INSTITUTIONS CREATING OR USING INVALID TINs	NUMBER OF INVALID TINs CREATED OR USED
323	Teacher Retirement System of Texas	1
362	Texas Lottery Commission now part of the Texas Department of Licensing and Regulation (452)	1
529	Health and Human Services Commission	1
714	University of Texas at Arlington	9
720	University of Texas System	13
721	University of Texas at Austin	63
724	University of Texas at El Paso	1
733	Texas Tech University	306
739	Texas Tech University Health Sciences Center	50
742	University of Texas of the Permian Basin	28
743	University of Texas at San Antonio	73
745	University of Texas Health Science Center at San Antonio	9
750	University of Texas at Tyler	76
754	Texas State University	15
768	Texas Tech University System	157
774	Texas Tech University Health Sciences Center - El Paso	19
785	University of Texas Health Science Center at Tyler	5
902	Comptroller - State Fiscal	105
TOTAL NUMBER OF INVALID TINs CREATED OR USED = 932		