



# Multi-Agency Follow-Up Audit Report 2020-2022

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# Executive Summary

## Purpose and Scope

The Texas Comptroller of Public Accounts (Comptroller's office) has completed a follow-up audit of certain agencies' findings to monitor the implementation of Comptroller's office recommendations.

These audits were selected for follow-up using a risk-based approach and the significance of issues found during the recent full-scope, post-payment audits. The follow-up audit scope is limited to verifying that each agency has designed and implemented controls to address issues noted in previous audits, unless auditors become aware of significant potential issues during planning or fieldwork.




Auditors selected six agencies for this follow-up audit (see Table 1). The audit covers the status of the open recommendations the Comptroller's office made in the post-payment audit reports.

**Table 1**

| Agency # | Agency                              | Audit Report Number | Issue Date | Number of Findings |
|----------|-------------------------------------|---------------------|------------|--------------------|
| 454      | Texas Department of Insurance       | 454-21-01           | 4/12/2022  | 15                 |
| 458      | Texas Alcoholic Beverage Commission | 458-21-01           | 5/19/2022  | 8                  |
| 537      | Department of State Health Services | 537-21-01           | 3/9/2022   | 15                 |
| 717      | Texas Southern University           | 717-21-01           | 12/8/2021  | 8                  |
| 721      | University of Texas at Austin       | 721-21-01           | 2/11/2022  | 15                 |
| 731      | Texas Women's University            | 731-20-01           | 9/13/2021  | 10                 |

## Background

The auditors consider recommendations:

-  **Implemented** when the agency staff provided sufficient and appropriate evidence to support all elements of the recommendation.
-  **In Progress** when agencies have specific plans to begin or have begun to implement the recommendation and intend to fully implement it.
-  **Not Implemented** when evidence did not show meaningful movement toward implementation, when no evidence was provided, when implementation starts but there is no measurable progress or when a new recommendation was issued within the last three months.



- **Not Tested** when an agency did not process any transactions of the type that is tested during the audit period.

The audit methodology included reviewing each agency's corrective action plan and implementation timeline created in response to the post-payment audit. Auditors also selected samples of transactions, reviewed supporting documentation submitted by each agency, and met with agency staff.

## Audit Results

Agencies have stated that although many recommendations remain outstanding, implementation is in progress. See Table 2 for results by agency.

Of the 71 recommendations selected for review:

- 43 recommendations were implemented.
- 17 recommendations were in progress.
- Eight recommendations were not implemented.
- Three recommendations were not tested.

**Table 2**

| Agency # | Agency                              | Implemented | In Progress | Not Implemented | Not Tested |
|----------|-------------------------------------|-------------|-------------|-----------------|------------|
| 454      | Texas Department of Insurance       | 14          | 1           | 0               | 0          |
| 458      | Texas Alcoholic Beverage Commission | 2           | 6           | 0               | 0          |
| 537      | Department of State Health Services | 9           | 2           | 4               | 0          |
| 717      | Texas Southern University           | 4           | 2           | 2               | 0          |
| 721      | University of Texas at Austin       | 11          | 3           | 0               | 1          |
| 731      | Texas Women's University            | 3           | 3           | 2               | 2          |



# Detailed Information

**Table 3: Status of Open Recommendations by Agency**

| Agency 454 – Texas Department of Insurance                     |   |                       |
|--|---|-----------------------|
| Issue  | Recommendation  | Implementation Status |
| Overpayment of salary amount                                   | The Department must enhance its internal controls to prevent incorrect salary payments. It should consider recovering the amount of overpayment in accordance with Texas Government Code, Chapter 666, unless it determines that it is not cost effective to do so.   | Implemented           |
| Missing Electronic State Business Daily posting                | The Department must post any contract over \$25,000 for the required duration and must maintain posting documentation in the contract file. Failure to post a qualifying purchase for the mandatory time could void the contract. See Texas Government Code, Section 2155.083. Additionally, future payments under voided contracts are prohibited, and failure to comply could subject the Department to a reduction in appropriations per Texas Government Code, Section 403.071(h)(4). | Implemented           |
| Missing administrative review of responses                     | The Department must follow procurement procedures and complete an administrative review of the responses. It should maintain the administrative review documentation as part of the contract file.  | Implemented           |
| Missing bid tabulations  | The Department must obtain bids from qualified vendors for all services over \$5,000. It must tabulate all bids and retain documentation of the procurement process.  | Implemented           |
| Missing required disclosure statements                         | The Department must follow procurement procedures to ensure that procurement and contract management personnel, evaluation committee members and technical advisors complete and sign non-disclosure agreements and conflict of interest disclosures before engaging in procurement or evaluation activities.   | Implemented           |
| Missing State Auditor's Office (SAO) nepotism disclosure forms | The Department must ensure that all procurement personnel involved in awarding contracts of at least \$1 million sign the SAO Disclosure Statement for purchasing personnel located on the SAO website and must retain the signed statements in the contract file.  | Implemented           |



## Agency 454 – Texas Department of Insurance

| Issue   | Recommendation  | Implementation Status      |
|---|---|----------------------------|
| <p>Missing/late vendor compliance verifications (VCV):</p> <ul style="list-style-type: none"> <li>• Debarment check.</li> <li>• System for Award Management (SAM) check.</li> <li>• Warrant hold check.</li> <li>• Iran, Sudan and foreign terrorist organization list check.</li> <li>• Boycott Israel check.</li> <li>• Franchise tax check.</li> </ul> | <p>The Department must conduct a VCV search before any purchase, contract award, extension or renewal and retain the results from each specified website in the procurement file.</p> <p><b>*In Progress: Auditors identified one out of the five purchase transactions where the Department could not provide documentation showing that a warrant hold check was completed.</b></p> | <p><b>*In Progress</b></p> |
| <p>Missing Texas Ethics Commission (TEC) Certificate of Interested Parties (Form 1295)</p>  | <p>The Department must ensure each vendor involved in contracts of at least \$1 million completes Form 1295 located on the TEC website.</p>   | <p><b>Implemented</b></p>  |
| <p>Failure to report to the Legislative Budget Board (LBB)</p>  | <p>The Department must report awarded contracts to the LBB for full compliance with the General Appropriations Act, Article IX, Section 7.04 and the LBB Contract Reporting Guide.</p>  | <p><b>Implemented</b></p>  |
| <p>Missing Vendor Performance Tracking System (VPTS) check</p>  | <p>The Department must check the VPTS to determine whether to award a contract to a vendor before awarding a contract and must report ongoing and completed contracts and purchases to VPTS to identify vendors demonstrating exceptional performance.</p>  | <p><b>Implemented</b></p>  |
| <p>Contracts not posted in the Centralized Accounting and Payroll/Personnel System (CAPPS)</p>  | <p>The Department must post contract information to CAPPS to fulfill the Legislature’s enterprise resource planning requirements. See State of Texas Procurement and Contract Management Guide – Agency Reporting of Contracting Information in CAPPS.</p>  | <p><b>Implemented</b></p>  |
| <p>Lack of conservation of state funds</p>  | <p>The Department must exercise caution in its use of state funds and ensure that its expenditures are fiscally responsible. It must review all travel transactions related to mileage reimbursement to ensure that the mileage claimed does not exceed the number of miles of the most cost- effective route between two points.</p>   | <p><b>Implemented</b></p>  |



## Agency 454 – Texas Department of Insurance

| Issue   | Recommendation  | Implementation Status |
|---|---|-----------------------|
| State travel card and contract not used for airfare | The Department must charge all future airfare to the state-issued travel credit card and must use the state contract unless an exception is noted.  | Implemented           |
| Overpayment of refunds of revenue                   | The Department must enhance its internal controls to prevent incorrect refunds of revenue.  | Implemented           |
| Control weakness over expenditure processing        | The Department should review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure that no individual is able to process payments without oversight.<br><br>Auditors strongly recommend that the Department limit user access by removing the user from the Department's signature card or by removing the user from the Authorization for Warrant Pickup List. | Implemented           |

### Agency Response

*The Department agrees with the implementation status as indicated by the auditor. The Department has implemented additional storage for supporting documentation in its network.*



## Agency 458 – Texas Alcoholic Beverage Commission

| Issue  | Recommendation  | Implementation Status |
|--|---|-----------------------|
| <p>Incorrect state effective service date/incorrect longevity and hazardous duty payment</p> | <p>The Commission must correct the state effective service dates for the employees. It should consider recovering the overpayment in accordance with Texas Government Code, Chapter 666.</p> <p>The Commission must continue to review each employee's job application for prior state service to confirm that it is properly recorded to ensure that longevity pay increases and leave accruals occur at the correct times.</p>                                | <p>*In Progress</p>   |
|  | <p><i>In Progress: The Commission incorrectly calculated hazardous duty payments for two employees resulting in under/over payments and used an incorrect comptroller object.</i></p>   |                       |
| <p>Texas Industries for the Blind and Handicapped (TIBH) contract not used</p>               | <p>The Commission must ensure that the set-aside contracts for goods/services offered by TIBH receive priority over open market purchases, and the proper reports are filed showing all delegated purchases made as exceptions to the set-aside contracts. Evidence of this action must be maintained in the contract file.</p>   | <p>*In Progress</p>   |
|  | <p><i>In Progress: The Commission chose vendors other than WorkQuest without a valid exception for two transactions.</i></p>  |                       |
| <p>Incomplete vendor compliance verification (VCV)</p>                                       | <p>The Commission must conduct each VCV search prior to any purchase, contract award, extension or renewal. The Commission must also check the Special Designated Nationals (SDN) list before awarding any contract to ensure no contracts are awarded to any person or vendor whose name appears on the list. The Commission must retain a dated copy of the review results from the specified website as evidence and include it in the procurement file.</p> | <p>*In Progress</p>   |
|  | <p><i>In Progress: One contract did not include the boycott Israel provision required by statute.</i></p>   |                       |
| <p>Incorrect billing account number</p>  | <p>The Commission must enhance its procedures to ensure these types of payments are processed in accordance with FPP A.043 and FPP E.023. To avoid any account delinquency or reconciliation issues, auditors recommend the Commission review its payment card statements to ensure payments are posted correctly.</p>  | <p>Implemented</p>    |





## Agency 458 – Texas Alcoholic Beverage Commission

| Issue                                 | Recommendation  | Implementation Status |
|---------------------------------------|---|-----------------------|
| <p>Missing documentation</p>          | <p>The Commission must review all travel transactions relating to mileage reimbursement to ensure the mileage claimed is sufficiently documented and does not exceed the number of miles of the shortest or most cost-effective route between two points.</p>   | <p>*In Progress</p>   |
|                                       | <p><i>In Progress: Three transactions were missing detailed mileage or cost comparison documentation in the travel file.</i></p>  |                       |
| <p>Incorrect reimbursement amount</p> | <p>The Commission should caution its employees to verify that all information and totals submitted for reimbursement comply with state travel rules and are within established rates.</p> <p>The Commission must obtain reimbursement of the overpayment from the travelers unless it determines it is not cost effective to do so.</p>   | <p>*In Progress</p>   |
|                                       | <p><i>*In Progress: Auditors found that for one out of 17 purchase/procurement transactions, the Board did not conduct a SAM search before each purchase award and/or contract renewal.</i></p>   |                       |
| <p>Contracted hotel not used</p>      | <p>The Commission must follow state travel management program rules and use state contract lodging and transportation unless a valid documented exception exists.</p>   | <p>Implemented</p>    |
| <p>Internal control structure</p>     | <p>To reduce risk to state funds, agency expenditure processing should separate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.</p> <p>Auditors strongly recommend that the Commission implement the following measures:</p> <ol style="list-style-type: none"> <li>1. Limit access at the time it is set up (USAS 96A screen) by limiting user access to either enter/ change vouchers or release/approve batches, not both.</li> <li>2. Elect to have the document tracking control edit on the Agency Profile (D02) set to either: <ul style="list-style-type: none"> <li>• Prevent a user from releasing a batch that the same user entered or altered for the agency</li> <li>-OR-</li> <li>• Warn the user when the same user attempts to release his or her own entries or changes. See USAS Accounting and Payment Control (FPP B.005).</li> </ul> </li> <li>3. Work with Comptroller's Statewide Fiscal Systems Security staff to set up user profiles that separate the entry and approval of payroll transactions in USAS and USPS.</li> </ol> | <p>*In Progress</p>   |



## Agency 458 – Texas Alcoholic Beverage Commission

| Issue  | Recommendation  | Implementation Status                           |
|--|---|---|
| <p>Internal control structure<br/>(CONTINUED)</p>  | <ol style="list-style-type: none"> <li>4. Limit the access of users who can approve paper vouchers (being on the signature card) to view- only access in TINS (PTINS02). An individual must not be able to change a vendor/employee profile or direct deposit information and approve a payment.</li> <li>5. Limit the access of users who can create an employee profile in USPS to view-only access in TINS (PTINS02). An individual must not be able to create an employee profile in USPS and change the employee payment instructions in TINS.</li> <li>6. Review the preventative and detective controls over expenditure processing discussed in USAS Accounting and Payment Control (FPP B.005), such as the Risky Document Report (DAFR9840), which identifies documents that the same user entered or altered and then released for processing.</li> <li>7. Limit the access of users who can enter/ change voucher or release/approve batches in USAS to view- only access in TINS (PTINS02). An individual must not be able to create or change a vendor profile, create a payment, and approve the payment.</li> </ol> | <p style="text-align: center;">*In Progress</p> |
| <p><i>*In Progress: Although the two individuals who had conflicting access from the prior post-payment audit were addressed, this current follow-up audit's security review revealed three new individuals with similar conflicting access.</i></p> |   |   |

### Agency Response

*The Commission agrees with the results and:*

- *Has corrected the overpayment and comptroller object errors.*
- *Will utilize the CAPPS HR New Hire Packet Checklist (HRD 144 Form), Prior State Employment (HRD 145 Form) and Prior State Employment Verification (HRD 143 Form) prior to entry of or to confirm prior state service in CAPPS.*
- *Will clearly define and establish the appropriate contract exception when awarding to vendors outside of the state use program.*
- *Has updated contracts to include the Boycott Israel Clause.*
- *Will continue to strengthen the internal audit review process of travel reimbursement submissions to ensure all documentation is included, in addition to returning the reimbursement request to the traveler for additional documentation as necessary.*
- *Has corrected the access for the three employees and will strengthen controls by evaluating access when there is a change in position, termination, or a new hire in addition to reviewing access for the semi-annual security audit.*



## Agency 537 – Department of State Health Services

| Issue  | Recommendation  | Implementation Status |
|--|---|-----------------------|
| Incorrect state effective service dates/ longevity pay amounts     | The Department should review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent incorrect compensation to an employee. See 34 Texas Administrative Code Section 5.40(c)(2).  | Implemented           |
| Duplicate payment  | The Department must strengthen its procedures to identify duplicate invoices to avoid making duplicate payments to vendors. In addition, it should ensure its accounting staff reconciles invoices and payments to prevent duplicate payments.  | Not Implemented       |
| Failure to report to the Vendor Performance Tracking System (VPTS) | <p>The Department must report contracts and purchases to VPTS to:</p> <ul style="list-style-type: none"> <li>• Identify vendors with exceptional performance.</li> <li>• Aid purchasers in making a best value determination based on vendor past performance.</li> <li>• Protect the state from vendors with unethical business practices.</li> <li>• Identify vendors with repeated delivery and performance issues.</li> <li>• Provide performance scores in five measurable categories for CMBL vendors.</li> <li>• Track vendor performance for delegated and exempt purchases.</li> </ul> <p>See State of Texas Procurement and Contract Management Guide – Contract Close-Out.</p> | Implemented           |
| Missing Centralized Master Bidders List (CMBL) solicitation        | To ensure compliance with state procurement laws and rules, all agencies and institutions of higher education must use the CMBL for all purchases, including services for which competitive bidding or competitive sealed proposals are required. The Department must include a copy of the date CMBL search results in the procurement file.   | Implemented           |
| Missing delegation of purchase authorization                       | The Department must obtain delegation of purchasing authorization for service contracts in excess of its delegated authority. Unless the Department receives such delegation in writing from SPD, it should not proceed with the solicitation because such a contract may be rendered voidable.   | Implemented           |



## Agency 537 – Department of State Health Services

| Issue                                | Recommendation   | Implementation Status |
|--------------------------------------|--|-----------------------|
| Purchase order created after invoice | The Department must prepare documentation of the agreement when the goods or services are ordered from the vendor. Once the Department has made a final approved agreement with the vendor, it may not pay any amount over the agreed amount unless the agreement is amended due to the vendor providing a new benefit or consideration. | Implemented           |
| Improper payment of sales tax        | The Department must review invoices to ensure that they are correct and do not include taxes. In addition, it must review expenses for legality and accuracy before payment. The Department should obtain a refund from the vendor for the amount of the taxes.  | Implemented           |
| Missing documentation                | The Department must create and maintain sufficient supporting documentation for all payments and provide the documentation if requested for audit review. The Department should review and update its procedures for maintaining documentation for all purchases.  | Not Implemented       |
| Vendor hold states not verified      | The Department must ensure its staff follows procedures to verify warrant hold status before completing payment card transactions. See TexPayment Resource (FPP P.007) – Warrant Hold – Hold Inquiry Screens.  | Not Implemented       |
| Gratuities not payable               | The Department must review all travel expense claims for legality and accuracy before payment. In addition, it must obtain a reimbursement from the employees unless it is not cost effective to do so.  | Implemented           |
| Incorrect travel reimbursement       | The Department must review all travel expense claims for legality and accuracy before payment. In addition, it must obtain a reimbursement from the employees unless it is not cost effective to do so.  | *In Progress          |
|                                      | <i>*In Progress: Auditors identified two transactions that were reimbursed incorrectly.</i>  |                       |
| Missing travel documentation         | The Department must obtain proper documentation for travel expenses. The supporting documentation must be maintained in agency files at least until the end of the second appropriation year after the appropriation year in which the document is processed through USAS.   | *In Progress          |
|                                      | <i>*In Progress: Auditors noted two transactions that did not include sufficient documentation to support the reimbursements.</i>  |                       |



## Agency 537 – Department of State Health Services

| Issue   | Recommendation  | Implementation Status |
|---|---|-----------------------|
| Missing proof of payment  | The employee must provide proof of payment to the other employee for the lodging expense or reimburse the Department for the amount of the lodging per Texas Government Code, Section 660.017. The Department must ensure that each employee is reimbursed for incurred lodging expenses. Employees may not pay for travel expenses incurred by other employees.  | Implemented           |
| Failure to notify Comptroller's office to remove employee from signature card | The Department must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of employee terminations on or before the revocation dates and will follow up with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.                                    | Implemented           |
| Control weakness over expenditure processing                                  | To reduce risk to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement. The Department must limit user access by removing the users from the agency's Authorization for Warrant (expedite) Pickup list or by removing the users from the agency's signature card. | Not Implemented       |

### Agency Response

*Department of State Health Services (DSHS) appreciates the work by this Comptroller's audit team and accepts its recommendations for the six ongoing findings.*

*The DSHS Accounting Section addressed and corrected Control Weakness over Expenditure Processing finding by updating the warrant pickup authorization in July 2021.*

*DSHS will continue to address the six remaining findings:*

- DSHS Accounts Payable Claims Unit will work to eliminate future duplicate payments by strengthening invoice submission processes and implementing quality assurance reviews.*
- DSHS Accounts Payable Claims Unit will work with P-Card Administrators, individual card holders, and their managers, to provide education and communicate P-card User Agreement requirements and program policy.*
- DSHS Claims Travel team will continue addressing the two travel-related findings as a part of routine Claims Unit meetings, improved monitoring, and training.*



## Agency 717 – Texas Southern University

| Issue  | Recommendation   | Implementation Status         |
|--|--|-------------------------------|
| <p>Incomplete Human Resource Information System (HRIS) reporting</p>             | <p>The University must ensure that all payroll and personnel transactions are reported to HRIS in a timely manner. The data submitted to HRIS must be made in the manner, frequency and form required by the Comptroller's office. In addition, the University must ensure the correct object code is being used for lump-sum termination payments in both HRIS and USAS.</p>  | <p><b>Not Implemented</b></p> |
| <p>Incorrect state effective service date/longevity pay amount</p>               | <p>The University must correct the state effective service dates for overpaid employees. It must correct its method of calculating lifetime service credit for its employees and enhance its internal controls to prevent incorrect longevity payments.</p> <p>The University must ensure that only eligible employees receive longevity pay. It should reimburse the state's treasury for the \$76,740.04 of incorrect longevity reimbursement and should consider recovering the overpayments in accordance with Texas Government Code, Chapter 666.</p> <p><i>*In Progress: For two out of seven transactions selected for the follow-up audit, the University incorrectly calculated longevity pay. Internal enhancements or controls implemented are not functioning properly or are insufficient to prevent discrepancies.</i></p> | <p><b>*In Progress</b></p>    |
| <p>Incorrect hazardous duty payment amount</p>                                   | <p>The University must enhance its internal payroll system to ensure that employees who terminate on a day other than the first of the month receive the full entitlement amount. It must compensate the employees for the underpaid amount.</p> <p><i>*In Progress: For two out of seven transactions selected for the follow-up audit, the University incorrectly calculated hazardous duty pay. Internal enhancements or controls implemented are not functioning properly or are insufficient to prevent discrepancies.</i></p>  | <p><b>*In Progress</b></p>    |
| <p>Incorrect emolument allowance payment amount/internal policy not followed</p> | <p>The University must update its policies and procedures to ensure the communication allowance eligibility review process is accurate. In addition, it must monitor payroll expenditures to ensure compliance with specific payroll emolument programs. The University should consider recovering the emolument overpayment in accordance with Texas Government Code, Chapter 666.</p>  | <p><b>Not Implemented</b></p> |



## Agency 717 – Texas Southern University

| Issue  | Recommendation   | Implementation Status |
|--|--|-----------------------|
| Purchase order (PO) created after invoice  | The University must ensure that documentation of the agreement is prepared at the time the goods or services are ordered from the vendor. Once it has made a final approved agreement with the vendor, it may not pay any amount in excess of the agreed amount, unless the agreement is amended due to the vendor providing a new benefit or consideration. | Implemented           |
| PO/contract does not match invoice   | The University must review and compare the invoices for completeness and accuracy and compare them to the PO/contract to ensure that neither the rate nor quantity exceeds the stated amounts. Any amendments to the original PO/contract must be documented.  | Implemented           |
| Failure to Report to the Legislative Budget Board (LBB)  | The University must report all required contracts to the LBB in compliance with Texas Government Code, Section 322.020 and the LBB Contract Reporting Guide.   | Implemented           |
| Control weakness over expenditure processing   | To reduce risk to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.   | Implemented           |
| <b>Agency Response</b>   |  |                       |
| <i>The agency agrees with the implementation status as indicated by the auditor and will continue to implement/enhance the controls to prevent discrepancies</i> |  |                       |



## Agency 721 – University of Texas at Austin

| Issue  | Recommendation   | Implementation Status |
|--|--|-----------------------|
| Missing/incomplete documentation                                     | The University should enhance its internal controls to maintain the documentation required to support all employee payroll payments. Documentation must be available for auditors.   | Implemented           |
| Incorrect salary payment   | The University must review its controls and personnel records to ensure accuracy and completeness, and ensure its internal operating procedures include quality-control measures to detect and prevent incorrect compensation. See 34 Texas Administrative Code Section 5.40(c).   | Implemented           |
| Missing prior state service verification/incorrect longevity payment | The University should continue to research and verify prior state service for employees. In addition, it must ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files.  | Implemented           |
| Duplicate payments   | <p>The University must enhance its procedures for identifying potential duplicate invoices to avoid making duplicate payments to vendors. The accounting staff must reconcile invoices and purchase orders/contracts to prevent duplicate payments.</p> <p>The University should seek reimbursement for the excess amounts unless it determines it is not cost effective to do so. The University must reimburse the state's treasury for the excess amount.</p> <p><i>*The University processes its payments through local funds and requests reimbursements from the state's treasury. Therefore, auditors were unable to test for duplicate payments.</i></p> | *Not Tested           |
| Interest lost to state's treasury                                    | To minimize the state's loss of earned interest, the University must schedule all payments over \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in eXpendit – Payment Scheduling. The University can pay according to the terms on the invoice only if those terms are included in the purchase order and are part of the signed contract.  | Implemented           |
| Violation of state warrant hold statutes                             | <p>The University must follow its procedures to check vendor warrant hold status before initiating any purchase over \$500, in accordance with 34 Texas Administrative Code, Section 5.57(g) (6) and eXpendit – Restricted Expenditures – Persons Indebted to the State.</p> <p><i>*In Progress: Auditors identified four out of five transactions that did not contain evidence that the warrant hold check was conducted. The University is developing a process to ensure that payment card holders verify the warrant hold check.</i></p>  | *In Progress          |





## Agency 721 – University of Texas at Austin

| Issue  | Recommendation  | Implementation Status |
|--|---|-----------------------|
| Missing receiving documentation                          | The University must create supporting documentation for each payment and maintain it for audit review. It should update its procedures for maintaining supporting documentation for all purchases.  | *In Progress          |
|  | <i>*In Progress: Auditors identified four out of five payment card/purchase transactions where the University could not provide the required receiving documentation.</i>   |                       |
| Missing verification of training attendance              | Supporting documentation for a purchase must be made available in an audit to justify the validity of the payment. The University must maintain adequate supporting documentation for all expenditures before processing the payment.   | Implemented           |
| Debarred vendor status not verified                      | The University must check the debarred vendor list posted on the Comptroller's debarred vendor list website to establish that the vendor has not been debarred.<br><br>The University must enhance procedures to verify the debarred vendor status before awarding a contract to a vendor.  | *In Progress          |
|  | <i>*In Progress: University had included the Comptroller's office debarment check clause in its contract template. However, the contracts selected for testing did not include the updated clause.</i>  |                       |
| Vendor warrant hold status not verified                  | The University must verify vendor warrant hold status before executing a contract with a vendor.  | Implemented           |
| Missing nondisclosure and conflict of interest statement | The University must ensure that its procurement and contract management personnel complete and sign conflict of interest disclosure statements before initiating purchases.   | Implemented           |
| Missing historically underutilized business (HUB) review | The University must abide by the procurement procedures in the State of Texas Procurement and Contracting Management Guide – HUB Subcontracting Plan Requirements section to determine whether subcontracting opportunities are probable under the purchase/procurement; if so, that must be stated clearly, and it must require an HSP. The University must enhance its procurement process to ensure adequate documentation is maintained to meet all procurement requirements. | Implemented           |
| Non-employee travel reimbursement not payable            | The University must review all travel expense claims for legality and accuracy before payment. It must reimburse the state's treasury for the unallowable amount.   | Implemented           |



## Agency 721 – University of Texas at Austin

| Issue   | Recommendation  | Implementation Status |
|---|---|-----------------------|
| <p>Incomplete direct deposit authorization</p>      | <p>The University must ensure all payees requesting direct deposit payments submit a completed direct deposit authorization with the international payment verification question answered. A direct deposit authorization transaction should not be processed if the international payment verification section is left blank.</p>  | <p>Implemented</p>    |
| <p>Control weakness over expenditure processing</p> | <p>To reduce risk to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.</p> <p>Auditors strongly recommend that the University implement the following measures. The University must:</p> <ul style="list-style-type: none"> <li>• Work with Comptroller's Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of the University's internal system and USAS.</li> <li>• Ensure that employees with voucher/payment entry/change/delete status in the University's internal system cannot approve/release payments in the internal system or in USAS. A supervisor or another employee must approve the vouchers in the internal system.</li> <li>• Limit the access of users who can enter/change vouchers in USAS to view-only access in the Texas Identification Number System (TINS) (PTINS02). An individual must not be able to create a payment and change or create a vendor profile.</li> </ul> | <p>Implemented</p>    |

### Agency Response

*The agency agrees with the implementation status as indicated by the auditor and will continue to implement/enhance the controls to prevent discrepancies.*



## Agency 731 – Texas Woman’s University

| Issue  | Recommendation  | Implementation Status         |
|--|---|-------------------------------|
| <p>Incorrect state effective date and longevity/ hazardous duty payments</p>   | <p>Auditors recommend the University continue to research and verify prior state service time for its employees. In addition, it must ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files.</p> <p>The University must verify months of state service data for its employees and enhance its internal controls to prevent incorrect longevity and hazardous duty payments.</p> <p>The University should consider recovering the overpayments made to employees in accordance with Chapter 666, Texas Government Code.</p> | <p><b>*In Progress</b></p>    |
| <p><i>*In Progress: For three out of seven transactions selected for the follow-up audit, the University incorrectly calculated longevity and hazardous pay. Internal enhancement or controls are not functioning properly or are insufficient to prevent discrepancies.</i></p> |   |                               |
| <p>Incorrect payment of accrued vacation time</p>  | <p>The University must improve its internal controls to prevent incorrect payments of accrued vacation time. It must compensate the employee for the underpaid amount.</p>  | <p><b>Implemented</b></p>     |
| <p>Incorrect overtime pay calculation</p>  | <p>The University must ensure it captures employee’s longevity amounts in its overtime pay calculation. It must compensate the employee for the underpaid amount.</p>   | <p><b>Not Implemented</b></p> |
| <p>Gratuities not reimbursable</p>   | <p>The University must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to payment. It must obtain reimbursement from the traveling employees unless it is not cost effective to do so.</p>  | <p><b>Implemented</b></p>     |
| <p>Lack of conservation of state funds</p>   | <p>The University must exercise caution in its use of state funds and ensure that its expenditures are fiscally responsible. It should prepare a cost-benefit analysis before each trip showing the cost of using a rental car versus that of using a personal vehicle and/or taxi to ensure the most cost-effective alternative is used.</p>   | <p><b>Not Implemented</b></p> |
| <p>Early check-in fee not payable</p>  | <p>The University must ensure all travel expense claims are accurately reviewed for legality and accuracy prior to payment. It must obtain reimbursement from the employee unless it is not cost effective to do so.</p>  | <p><b>Implemented</b></p>     |



## Agency 731 – Texas Woman’s University

| Issue  | Recommendation   | Implementation Status      |
|--|--|----------------------------|
| <p>Incorrect travel reimbursement</p>  | <p>The University should caution its employees and approval staff to verify all totals submitted for reimbursement are correct. It must obtain reimbursement of the overpayment from the traveler unless it is not cost effective to do so.</p>  | <p><b>*In Progress</b></p> |
|  | <p><i>*In Progress: Auditors identified two reimbursements out of five that were processed incorrectly. Pre-payment audits implemented are insufficient to ensure travel reimbursements are processed correctly.</i></p>   |                            |
| <p>Failure to notify Comptroller’s office to remove employee from signature card</p>             | <p>The University must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller’s office is aware of the employees’ terminations on or before the dates the revocations become effective and follows up with the Comptroller’s office to ensure receipt of the notification and that the revocation occurred.</p>  | <p><b>*Not Tested</b></p>  |
| <p><i>*The University did not have any employees who terminated during the audit period.</i></p> |  |                            |
| <p>Failure to request security access removal</p>  | <p>The University must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller’s office is aware of the employees’ terminations on or before the dates the revocations became effective and follows through with the Comptroller’s office to ensure receipt of the notification and that the revocation occurred.</p>   | <p><b>*Not Tested</b></p>  |
| <p><i>*The University did not have any employees who terminated during the audit period</i></p>  |  |                            |
| <p>Control weakness over expenditure processing</p>  | <p>To reduce risk to state funds, agencies should have controls over expenditure processing that segregate each accounting task as much as possible. Ideally, no individual should be able to process transactions without another person’s involvement.</p> <p>Auditors strongly recommend that the University implement the following measures. The university must:</p> <ol style="list-style-type: none"> <li>1. Limit user access to either enter/change voucher or release/approve batch.</li> <li>2. Limit the access of users who can enter/change voucher or release/approve batch in USAS to view only access in TINS (PTINS02). An individual should not be able to create a vendor or change a vendor profile, create a payment, and approve the payment.</li> </ol> | <p><b>*In Progress</b></p> |



## Agency 731 – Texas Woman’s University

| Issue  | Recommendation   | Implementation Status |
|--|--|-----------------------|
| Control weakness over expenditure processing (CONTINUED) | <i>*In Progress: The University has one employee who can adjust payment instructions in TINS and approve paper vouchers. The University did not identify any mitigating controls in place to reduce the associated risk.</i> |                       |

### Agency Response

*TWU is committed to the effective management of the payroll process and state and university funds, adhering to the appropriate state and federal rules and regulations.*

*TWU values the need for security and is confident that existing processes will help minimize risk for USAS users and have modified the user’s TINS access to view only. Additionally, USAS user access will be reviewed on quarterly basis to prevent further conflicts.*

*TWU acknowledges and agrees with the findings/recommendations and will expand upon implemented internal controls to prevent future discrepancies.*