

October 9, 2014

Renu Khator, Ph. D.
President
University of Houston
212 E. Cullen Building
Houston, Texas 77204-2018

Dear Dr. Khator:

We have completed a post-payment audit of certain payroll, purchase and travel transactions of the University of Houston (University). We would like to thank your staff, especially Mike Glisson, for their responsiveness and cooperation in assisting us with this audit. A draft of this audit report was sent to Dr. Carl Carlucci, Executive Vice President, Finance and Administration, on Sept. 3, 2014. The University's response to the draft is included in this report.

Our purpose was to determine whether the University's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the Uniform Statewide Accounting System (USAS). The University is responsible for ensuring that its staff is knowledgeable in these areas.

The University must submit to the Texas Comptroller of Public Accounts (Comptroller's office) a corrective action plan that addresses the instances of errors detailed within this report. The plan must provide for appropriate improvements in the control structure related to the University's payment process and show expected dates of implementation. The corrective action plan must be completed and signed by management and the University's internal auditor. An electronic copy of the corrective action plan is attached. Our office must receive the completed plan by Nov. 10, 2014.

We intend for this report to be used by the University's management and certain state officials and agencies as listed in Texas Government Code Annotated, Section 403.071 (Vernon 2013). However, this report is a public record, and its distribution is not limited.

We noted other matters involving the processing of expenditures by the University that was included in a separate document sent to Dr. Carlucci in an email dated Sept. 3, 2014.

The University may inquire about and register for training related to expenditures through the Fiscal Management Training Center.

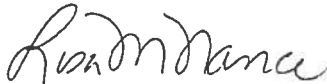


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We would like to request input from you or your designee on the quality of the audit process and the service provided by the audit staff while conducting this audit. Please take our Post-Payment Audit Survey to rate and comment on the post-payment audit process. Your feedback is greatly appreciated.

Thank you for your cooperation. If we can be of any further assistance, please contact Jesse A. Cantú at jesse.cantu@cpa.state.tx.us or 512-475-0015.

Sincerely,



Lisa M. Nance
Manager, Statewide Fiscal Services
Fiscal Management Division

Attachments

cc: Tilman J Fertitta, Chairman, University of Houston Board of Regents
Dr. Carl Carlucci, Vice President Finance and Administration, University of Houston
Don Guyton, CPA, Chief Audit Executive, University at Houston System
Mike Glisson, CPA, Comptroller, University of Houston
Jesse A. Cantú, CPA, Auditor, Texas Comptroller of Public Accounts



**Fiscal Management Division
Expenditure Audit Section
Auditor: Jesse A. Cantú, CPA**

**Audit Report # 730-14-01
October 9, 2014**

Post-Payment Audit of the University of Houston



Susan Combs
Texas Comptroller of Public Accounts

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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the University of Houston (University) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning Dec. 1, 2012, through Nov. 30, 2013, to determine compliance with applicable state laws.

The University received appendices with its full report that included a list of the identified errors and an error projection to estimate the amount of improperly paid transactions. Copies of the appendices may be requested through a Public Information Act inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The University should implement the recommendations listed in the Detailed Findings of this report. It is the University's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Texas Comptroller of Public Accounts (Comptroller's office) may take the actions set forth in Texas Government Code Annotated, Section 403.071(h) (Vernon 2013), to ensure that the University's documents comply in the future. The University must ensure that the findings discussed in this report are resolved.

Texas law requires the 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.

Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the Texas Payroll/Personnel Resource and other pertinent statutes.

The audit identified:

- Incorrect effective service date/incorrect longevity payment amount.
- Incorrect payment of death benefit pay.
- Incorrect payment of accrued vacation time.

A limited sample of voluntary contributions was also audited.

The audit identified:

- Missing deduction document.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, eXpendit and other pertinent statutes.

The audit identified:

- Missing purchase agreement.
- Improper payment of taxes.
- Freight not on purchase requisition.

Travel transactions

Travel transactions were audited for compliance with the GAA, Textravel and other pertinent statutes.

- No issues were identified.

Prompt payment and scheduling

Transactions were audited for compliance with the prompt payment law and scheduling rules.

The audit identified:

- Prompt payment and payment scheduling errors.

Direct deposit authorization forms

A review was conducted of the University's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The audit identified:

- Three instances where the deposit form did not contain the required question whether the funds would be forwarded to a financial institution outside the United States.
- Two instances where the individuals failed to indicate whether the funds would be forwarded to a financial institution outside the United States.

These forms did not adhere to the National Clearing House Association rules requiring the identification of a direct deposit payment if it is an International Automated Clearing House transaction.

EXECUTIVE SUMMARY

Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the University's internal system. The University reported 265 assets as lost, missing or stolen, with a net book value of \$7,979.59. The University provided police reports for the stolen assets.

The University has phased in bar code/scanner technology for tracking inventory. By fiscal 2014, all departments were required to use scanners. The University expects that with the use of this technology, the number of missing items will be significantly reduced. The Comptroller's office will follow-up during the next audit on the University's efforts to reduce the number of missing items.

- All assets reviewed were in their intended location and properly tagged.

Prior post-payment audit and current audit recurring errors

A prior post-payment audit of the University's payroll, purchase and travel transactions was concluded on Aug. 30, 2010.

During the current audit, the following recurring errors were identified:

- Incorrect payment amount.
- Missing payroll deduction form.
- Prompt payment and payment scheduling.

Contact:
Jesse A. Cantú, CPA
512-465-0015

Contributing Auditors:
Raymond McClintock
Anna Calzada

DETAILED FINDINGS — PAYROLL

Incorrect Effective Service Date, Incorrect Longevity Payment Amount

Finding

In our audit of the payroll transactions, we identified five employees with incorrect longevity payment amounts. Three employees were overpaid a total amount of \$840.00. Two employees were underpaid a total amount of \$1,120.00.

Two employees were incorrectly credited for full months of service for partial months of work resulting in overpayments of longevity pay. One of these employees was also credited for one extra month of service in error in 1993. This resulted in a total overpayment amount of \$420.00.

The position held by the Comptroller's office's since the longevity pay statutes were first enacted in 1979, is that an individual who is a state employee for only part of a calendar month receives lifetime service credit only for the days the individual was a state employee, not for the entire month. See, generally, Texas Government Code, Section 659.043(a)(3), 659.044(c) (Vernon 2013).

One employee had a break in service at the University. When the individual returned, the University did not recalculate the effective service date and the employee was paid longevity pay based on his original hire date. This resulted in an overpayment of \$420.00.

One employee's lifetime service credit was incorrectly calculated because the University did not to give the employee state service credit for nine months of employment at another state agency. This resulted in an underpayment of longevity pay in the amount of \$300.00. For another employee, the University failed to pay longevity pay while the employee was in an eligible position. This occurred due to oversight. As a result, the employee was underpaid a total of \$820.00.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time.

See [Texas Payroll/Personnel Resource – Required Documentation](#).

The University was provided with schedules and worksheets of incorrect longevity payments during fieldwork. They are not included with this report due to confidentiality.

Recommendation/Requirement

The University must correct the employees' effective state service dates to ensure future payments are correct. The University must also correct its internal payroll/personnel system and its procedures to ensure that lifetime service credit is only given for the days the individual is a state employee.

In addition, the University should verify all personnel files and ensure that prior state service is properly verified and documented for its employees.

The University should consider recovering the overpayments in accordance with Chapter 666, Texas Government Code. The University must compensate the employees who were underpaid longevity pay.

University Response

The University has corrected the service dates for the five employees sampled. The University will perform an audit of all active personnel files in the HR system to establish consistency with the benefit service date calculation.

The University is establishing a website that will assist with prior state service information with clear instructions of the responsibility of the employer and employee. This website will help the employee initiate the prior state service request in order to credit the employee with the proper Texas state service years.

The University will compensate the employees that were underpaid longevity and determine whether it is cost effective to recover the overpayments of longevity in accordance with Chapter 666, Texas Government Code.

Incorrect Payment of Death Benefit Pay

Finding

We identified one incorrect payment of an employee's death benefit pay that resulted in an underpayment of \$553.65 to the estate of the employee.

The University incorrectly allocated 168 hours for February 2013 when February had only 160 hours in the month. Because of this, in the allocation process, the University had 24 hours to allocate in the month of March instead of 32 hours. The University stated this error occurred due to oversight.

We provided the University with the schedule and calculation of the incorrect payment amount. Those documents are not included with this report due to confidentiality issues.

Recommendation/Requirement

The University must enhance its internal controls to prevent incorrect death benefit payments. The University must compensate the estate of the employee for the underpaid amount.

University Response

The University is currently working to compensate the estate of the employee.

The University has conducted a review of the death benefit payment process and has modified its procedures to help ensure compliance with state policies and procedures.

Incorrect Payment of Accrued Vacation Time

Finding

We identified one instance where an employee's lump sum payment for accrued vacation time was incorrectly calculated, resulting in an overpayment of \$50.95.

The employee terminated employment on Nov. 9, 2012, with 95 hours of accrued vacation time. The University incorrectly allocated 64 hours in November and 31 hours in December. Because there were sufficient workdays remaining in November after the employee's termination date, all 95 hours should have been allocated in the month of November. The allocation of time should begin on the first workday after termination. In this case, the allocation started a week after the termination date.

The balance of the accrued vacation time must be allocated over the workdays following the effective date of the employee's separation from state employment until the accrued vacation time is completely allocated. 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 Annotated, Section 661.064 (Vernon 2009). The University stated this error resulted from oversight.

We provided the University with the schedule and calculation of the incorrect payment amount. Those documents are not included with this report due to confidentiality issues.

Recommendation/Requirement

We recommend that the University enhance its internal controls to prevent an incorrect payment of accrued vacation time. The University should consider recovering the amount of overpayment in accordance with Chapter 666, Texas Government Code, unless it determines it is not cost effective to do so.

University Response

The University has conducted a review of the terminal vacation/sick leave payout process and has modified its procedures to help ensure compliance with state policies and procedures.

Missing Payroll Deduction Document

Finding

We identified one instance where the required payroll deduction document was missing. The University was unable to provide the deduction form for Organization Dues for one employee.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time.

See Texas Payroll/Personnel Resource – Voluntary Deductions.

Recommendation/Requirement

We recommend that the University enhance its internal controls to ensure that it maintains the proper documents required to support all employee payroll deductions.

University Response

The University Payroll department is currently working to establish all general deductions online via the employee self-service module in PeopleSoft. This implementation will ensure all employee payroll deductions are documented electronically.

In the interim, the University is scanning and storing general deduction forms in a designated electronic filing system.

DETAILED FINDINGS — PURCHASE

Missing Purchase Agreement

Finding

During our audit of purchase transactions, we identified one payment not supported by a purchase agreement.

Without a purchase agreement with the vendor at the time the goods were ordered, it becomes difficult for the University to ensure that it was not overcharged or billed for goods or services beyond those the University had agreed to purchase. The University has procedures in place that require a purchase document be created prior to obtaining goods and services, but this procedure was not followed in this instance.

It is the general responsibility of a state agency and its officers and employees to “ensure that for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.” See 34 Texas Administrative Code, Section 5.51(c) (1) (D) (2013).

Recommendation /Requirement

While a formal or automated purchase agreement is not generally required, the University must ensure that documentation of the purchase agreement is prepared when ordering goods or services from the vendor. Once the University has made a final approved agreement with the vendor, it may not pay any amount in excess of the agreed-upon amount unless the agreement is amended due to the vendor providing a new benefit.

University Response

The Controller will remind University administrative staff that orders for goods or services paid with state-appropriated funds must be documented by a purchase agreement, and that the University may not pay an amount in excess of the agreed-upon amount unless the agreement is amended because the vendor will provide an additional benefit. The Controller will also ask the Accounts Payable Manager who oversees purchase voucher approvals to ensure vouchers are reviewed for this documentation.

Improper Payment of Taxes

Finding

We identified one transaction in which the University improperly reimbursed sales tax to an employee for expenses incurred on behalf of the University. This error was a result of oversight.

The State of Texas, its incorporated agencies, and instrumentalities are exempt from sales taxes. See 34 Texas Administrative Code, Section 3.322(c)(4) (2013). The purchase, lease or rental of a taxable item to an exempt organization is exempt from tax when the organization or an authorized agent pays for the taxable item and provides the vendor with an exemption certificate in lieu of tax. See 34 Texas Administrative Code, Section 3.322(f)(2) (2013).

Recommendation/Requirement

The University must strengthen its procedures to ensure employee reimbursements exclude sales tax when the item is purchased for the University.

The University employees and its authorized agents must present vendors with tax exemption certificates before any purchases are made. The University must thoroughly examine invoices or receipts submitted by vendors and employees to ensure that it does not pay a tax for which it is not liable.

University Response

The Controller will remind University administrative staff that state-appropriated funds cannot be used to reimburse State of Texas sales tax and that the University's Texas Sales and Use Tax Exemption Certification must be presented to Texas vendors before any purchases are made. The Controller will also ask the Accounts Payable Manager who oversees purchase voucher approvals to ensure employee reimbursements paid with state funds are reviewed to verify Texas sales tax is not reimbursed.

Freight Not On Purchase Requisition

Finding

We identified one purchase transaction where freight was paid even though it was not included on the purchase requisition (PR). The freight amount on the invoice included charges for shipping and handling. These charges should not be paid by the University if not specifically identified on the original PR.

A PR is an agreement entered into by the state and the vendor. The University may pay only the contracted amount as shown on the PR. If freight charges are not on the PR, then the charges are not owed by the University and should not be paid.

The University has procedures in place to require freight terms be documented on each purchase requisition or purchase order, but this procedure was not followed in this case.

Recommendation/Requirement

The University must ensure its procedures are followed. While a formal purchase document is not required, the University must ensure that documentation of the purchase agreement is prepared at the time the University orders the goods or services.

University Response

The Controller will remind University administrative staff that any freight, shipping or handling charges paid with state-appropriated funds must be included on the purchase agreement. If not included, the freight, shipping or handling charges cannot be paid with state funds. The Controller will also ask the Director of Purchasing to ensure the cost of University-paid freight, shipping or handling charges is included on the purchase order. The Controller will also ask the Accounts Payable Manager who oversees purchase voucher approvals to ensure all vouchers paid with state funds are reviewed to verify University-paid freight, shipping or handling charges are included on the purchase agreement, whether the agreement is a purchase order or quote from the vendor.

DETAILED FINDINGS — PROMPT PAYMENT AND SCHEDULING

Prompt Payment and Payment Scheduling Errors

Prompt Payment

According to the prompt payment law, Texas Government Code Annotated, Section 2251.021 (a) (Vernon 2008), 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 the Comptroller's office is responsible for paying the principal amount on behalf of the agency. Texas Government Code Annotated, Section 2251.026 (Vernon 2008). During the audit period, the University paid vendors \$8,329.16 in interest.

In our sample, we identified six purchase transactions paid late where interest was not paid because the University entered incorrect due dates in USAS. According to the University, this occurred due to oversight when processing the payments.

Scheduling

Texas Government Code Annotated, Section 2155.382(d) (Vernon 2008), authorizes the Comptroller to allow or require state agencies to schedule payments that the Comptroller will make to a vendor. The Comptroller must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller must require advance scheduling of payments when it is advantageous to the state.

We identified one purchase transaction that the University paid early, resulting in interest loss to the State Treasury. The University stated this occurred due to oversight when scheduling the payment.

Recommendation/Requirement

The University 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 University must verify that proper due dates are entered to ensure that if interest is due, it is paid correctly to the vendors.

To minimize the loss of earned interest to the State Treasury, the University must schedule all payments that are greater than \$5,000.00 for the latest possible distribution and in accordance with its purchasing agreements as described in eXpendit: Prompt Payment and Payment Scheduling.

University Response

The Controller will review payment processing procedures to determine if changes are needed to avoid paying late payment interest. The Controller will remind University administrative staff to enter the correct dates on the voucher, which determine when payment is due, and remind them of the requirement that state fund payments greater than \$5,000 must be scheduled to occur as late as possible without paying interest or in accordance with the University's purchasing agreement with the vendor. The Controller will also ask the Accounts Payable Manager who oversees purchase voucher approvals to ensure vouchers are reviewed for these requirements.

APPENDICES

APPENDICES

Appendix 1 — Summary of Sample Errors Detected

Audit Period: Dec. 1, 2012 through Nov. 30, 2013

GROUP 1 (USAS) — PAYROLL TRANSACTIONS

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)	Projected Errors (E)
B	\$0.00	\$1,500.00	118	\$22.86	\$36,209.78	.000631	\$35,353,537.06	\$22,319.44
C	\$1,500.01	\$2,778.00	62	\$0.00	\$258,449.82	.000000	\$166,567,913.54	\$0.00
D	\$2,778.01	\$999,999,999.99	13	\$0.00	\$506,145.74	.000000	\$743,591.19	\$0.00

TOTAL GROUP PROJECTION

Group Error Rate (F)	Group Population Base (G)	Group Projected Errors (H)
.000011	\$202,665,041.79	\$22,319.44

GROUP 2 (USAS) — PAYROLL — LUMP SUM VACATION PAY TRANSACTIONS

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)
A	\$0.00	\$999,999,999.99	10	\$50.95	\$35,833.37	.001422	\$1,192,185.26

GROUP 3 (USAS) — PAYROLL — DEATH BENEFIT PAY TRANSACTIONS

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)
A	\$0.00	\$999,999,999.99	4	\$553.65	\$68,966.65	.008028	\$68,966.65

GROUP 4 (USAS) — PURCHASE TRANSACTIONS

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)	Projected Errors (E)
B	\$0.00	\$585.00	100	\$5.28	\$14,980.49	.000352	\$1,221,434.05	\$430.50
C	\$585.01	\$58,599.00	100	\$2,119.81	\$454,517.60	.004664	\$12,957,497.09	\$60,432.05
D	\$58,599.01	\$999,999,999.99	53	\$0.00	\$6,721,534.19	.000000	\$6,721,534.19	\$0.00

TOTAL GROUP PROJECTION

Group Error Rate (F)	Group Population Base (G)	Group Projected Errors (H)
.002912	\$20,900,465.33	\$60,862.55

GROUPS 5 and 6 (USAS) — PURCHASE TRANSACTIONS - Comp. Objects 7266, 7315, 7372, 7468

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)
A	\$0.00	\$999,999,999.99	20	\$0.00	\$3,459,286.22	.000000	\$9,369,780.58

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GROUP 7 (USAS) — TRAVEL TRANSACTIONS

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)
A	\$0.00	\$999,999,999.99	10	\$0.00	\$4,769.81	.000000	\$49,663.13

Legend

Sample Error Rate (C) = (A) ÷ (B)

Projected Errors (E) = (C) X (D)

Group Error Rate (F) = (H) ÷ (G)

Group Population Base (G) = sum of Population Bases (D)

Group Projected Errors (H) = sum of Projected Errors (E)

Total Population Base (I) = sum of Group Population Bases (G)

Note: All dollar amounts rounded to the second decimal place. All error rates rounded to the sixth decimal place.

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Appendix 2 — Schedule of Errors — Purchase

Stratum	Doc #	Sfx	Type of Error	Vendor Name	Amount of Error
B	91315964	001	Improper Payment of Taxes	RICHARD P MEISEL	\$5.28
C	91269117	001	Freight Not on Purchase Requisition	XENOPUS	\$368.00
C	91302782	001	Missing Purchase Agreement	BAY OIL CO	\$1,751.81
				Total Amount in Error	\$2,125.09

APPENDICES

Appendix 3 — Projection of Prompt Payment and Scheduling Errors

Audit Period: Dec. 1, 2012 - Nov. 30, 2013

GROUP 4 (USAS) — PURCHASE TRANSACTIONS — INTEREST NOT PAID

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)	Projected Errors (E)
B	\$0.00	\$585.00	100	\$0.16	\$14,980.49	.000011	\$1,221,434.05	\$13.05
C	\$585.01	\$58,599.00	100	\$21.85	\$454,517.60	.000048	\$12,957,497.09	\$622.91
D	\$58,599.01	\$999,999,999.99	53	\$104.56	\$6,721,534.19	.000016	\$6,721,534.19	\$104.56

TOTAL GROUP PROJECTION

Group Error Rate (F)	Group Population Base (G)	Group Projected Errors (H)
.000035	\$20,900,465.33	\$740.52

GROUPS 5 AND 6 (USAS) — PURCHASE TRANSACTIONS — INTEREST LOSS TO TREASURY

Stratum Letter	Low Range	High Range	Audited Transactions	Errors Detected (A)	Sample Base (B)	Error Rate (C)	Population Base (D)
A	\$0.00	\$999,999,999.99	20	\$22.57	\$3,459,286.22	.000007	\$9,369,780.58

Legend

Sample Error Rate (C) = (A) ÷ (B)

Projected Errors (E) = (C) X (D)

Group Error Rate (F) = (H) ÷ (G)

Group Population Base (G) = sum of Population Bases (D)

Group Projected Errors (H) = sum of Projected Errors (E)

Note: All dollar amounts rounded to the second decimal place. All error rates rounded to the sixth decimal place.

APPENDICES

Appendix 4 — Schedule of Errors — Purchase — Interest Not Paid

Stratum	Doc #	Sfx	Vendor Name	Prompt Pay Date*	Distribution Date**	Days Late	Transaction Amount	Interest Not Paid
B	91287769	015	FACILITY	20130405	20130522	17	\$83.04	\$0.16
C	91258563	003	ANALYTICAL	20130104	20130213	10	\$3,675.00	\$4.28
C	91287769	048	FACILITY	20130405	20130522	17	\$2,950.00	\$5.84
C	91258062	001	ALPHA LASER	20121128	20130123	26	\$3,873.50	\$11.73
D	91258563	001	ANALYTICAL	20130104	20130213	10	\$64,631.00	\$75.26
D	91292734	001	HEADWALL	20130528	20130701	4	\$62,900.00	\$29.30
Total Interest Not Paid								\$126.57

* Prompt Pay date is the latest of the three days used for prompt payment as defined in Texas Government Code Annotated, Sections 2251.001-2251.043 (Vernon 2008).

**Distribution Date is the first day the payment was available to the vendor.

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Appendix 5 — Schedule of Errors — Purchase — Interest Loss to Treasury

Stratum	Doc #	Sfx	Vendor Name	Prompt Pay Date*	Distribution Date**	Days Early	Transaction Amt.	Interest Loss to Treasury
A	91303901	001	TREVINO GROUP	20130711	20130729	12	\$147,646.61	\$22.57
							Total Interest Loss to Treasury	\$22.57

Appendix 6 — Audit Process Overview

Post-payment audits are conducted by the Expenditure Audit section of the Comptroller's Statewide Fiscal Services department.

Audit objectives

The primary objectives of a post-payment audit are to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the Uniform Statewide Accounting System (USAS) and/or the Uniform Statewide Payroll/Personnel System (USPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended location and are properly recorded in the State Property Accounting (SPA) System.
- Verify voucher signature cards and systems security during the audit period were consistent with applicable laws, rules and other requirements.

Comptroller's office responsibilities / Supporting statute

A state agency may request the Texas Comptroller of Public Accounts (Comptroller's office) to pay a claim against the agency only by submitting the appropriate payment voucher to the Comptroller's office.

- Texas Government Code, Sections 404.046, 404.069 (Vernon 2013); Sections 2103.003, 2103.0035, 2103.004 (Vernon 2008).

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 (Vernon 2013); Section 2103.004(a)(3) (Vernon 2008).

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) (Vernon 2013).

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 (Vernon 2013); Section 2155.324 (Vernon 2008).

Methodology

The Expenditure Audit section uses one or more of the following generally recognized sampling techniques to conduct a post-payment audit:

- Stratified random sampling
- Randomly generated sampling
- Non-probability sampling
- Limited sampling
- Detailed sampling

Fieldwork

Each auditor in the Expenditure Audit section is required to approach the fieldwork phase of each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcations or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor or the Statewide Fiscal Services manager, or both, to decide what course of action or additional procedures would be appropriate.

Reporting

Each auditor audits the payment vouchers included in a sample according to established policies and procedures. The audit findings are reported to the audited agency in the form of a report.

The audit report:

- Discloses the total dollar amount of any unsubstantiated payments or overpayments noted in the sample.
- Includes recommendations and requirements for the audited agency.

Each auditor:

- Discusses the management issues noted during the audit at the exit, and
- Includes details of these issues to the chief fiscal officer shortly after the exit.