

Non-PO Vouchers

Audit Report # 18-104
September 21, 2018



The University of Texas at El Paso
Office of Auditing and Consulting

"Committed to Service, Independence and Quality"



The University of Texas at El Paso
Office of Auditing and Consulting Services

500 West University Ave.
El Paso, Texas 79968
915-747-5191
WWW.UTEP.EDU

September 21, 2018

Dr. Diana Natalicio
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited- scope audit of Non-PO vouchers. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by the Disbursement Services Department staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads "Lori Wertz".

Lori Wertz
Chief Audit Executive

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Christy Marquez

TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
BACKGROUND	6
AUDIT OBJECTIVES	6
SCOPE AND METHODOLOGY	6
RANKING CRITERIA.....	7
AUDIT RESULTS	8
A. Duplicate Employee Reimbursements	8
B. Consulting/Specialized Services Expenditures	9
B.1. Lack of Identification of APS Vouchers in PeopleSoft.....	10
B.2. Lack of Monitoring for Consultant Expenditures.....	10
B.3. Training is not provided to APS Form Users	13
CONCLUSION	14
APPENDIX A: Texas Government Code Chapter 2254 Professional and Consulting Services Subchapter b. Consulting Services	15

EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of non-PO vouchers paid during Fiscal Year 2017 and Fiscal Year 2018 (through June).

During the audit we noted the following:

- Thirty nine out of 258 transactions identified as possible duplicates, or 15%, were confirmed to be actual duplicate employee reimbursements. As of August 16, 2018, a total of \$1,665.58 out of \$2,527.73 (66%) has been recovered by Disbursement Services and Grants Support personnel.
- Auditors tested 34 vouchers issued to pay individuals providing short-term consulting or specialized services (requested through the "Authorization for Personal Services" (APS) Form) and noted numerous policy violations.
- No training is provided to users of the APS form, which leads to transactions that are in violation of the University's policies and procedures.
- Although management keeps detailed records of all the APS forms that are received, there is not a system in place to identify all vouchers issued for APS expenditures in PeopleSoft.

We conclude that the current processes for employee expense reimbursements and consulting expenditures pose an opportunity for improvement.

BACKGROUND

Non-PO vouchers are used to pay vendors when the type of expenditure cannot be processed via a purchase order or contract/agreement. Miner Mall is the University's procurement system and should always be considered as the first purchasing option. Regular PO vouchers go through Miner Mall and are subject to the internal controls and oversight provided by the Purchasing Department.

In contrast, Non-PO vouchers are created at the department level and route to the cost center owner for approval. The final approval for the expense is provided by Disbursement Services. Since Non-PO vouchers are not subject to the controls embedded in the regular purchasing process, there is a higher risk for non-compliance with University policies.

AUDIT OBJECTIVES

The objective of this audit was to assess if non-PO expenditures comply with State regulations and University policies.

SCOPE AND METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors. Transactions processed during Fiscal Year 17 and Fiscal Year 18 (through June 2018) were subject to audit testing.

The audit scope was limited to two types of non-PO vouchers:

- 1) vouchers issued to pay individuals providing short-term consulting or specialized services
- 2) vouchers issued for employee reimbursements

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority - an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.

High – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.

Medium – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level.

Low – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level.

AUDIT RESULTS

A. Duplicate Employee Reimbursements

Auditors used data analytics to identify transactions within employee expense reports that could potentially result in a duplicate reimbursement. Thirty nine of the 258 transactions tested, or 15%, were found to be actual duplicate employee reimbursement transactions totaling \$2,527.73. As of August 16, 2018 a total of \$1,665.58, or 66%, of duplicate payments have been recovered by Disbursement Services and Grant Support personnel. Both departments have proactively created accurate logs and a follow-up process to recoup the funds.

PeopleSoft control limitations prevent the identification of all possible duplicates. Failure to properly identify duplicate reimbursements can lead to unnecessary financial loss to the University.

Recommendation:

A monitoring process should be implemented to identify duplicate receipts. When duplicate payments are identified, disbursement services should notify management to recapture overpayments.

Level: This finding is considered **MEDIUM** due to the possibility of financial loss to the University.

Management Response:

We concur with the recommendation and appreciate Internal Auditing's assistance in providing the Duplicate Reimbursement report. We request the report be generated monthly and our office will continue to research and recover the funds when duplicate payments are identified.

Responsible Party:

Antonio Romero

Implementation Date:

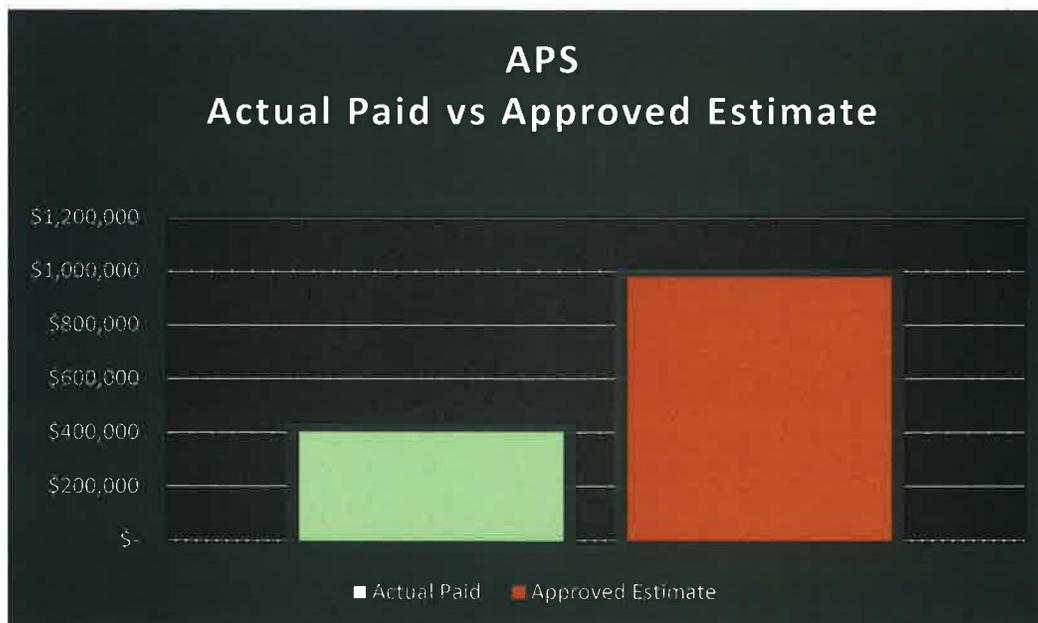
May 31, 2019

B. Consulting/Specialized Services Expenditures

The Authorization for Personal Services (APS) form is used to process payments for individuals providing short-term consulting or specialized services to the University. These individuals should be independent contractors who are not active University employees. The APS form is required for payments over \$250 and it must be approved by the Director/Dean, and VP of the requesting area, as well as Contract & Grants Accounting, if applicable. In addition, the form requires a description of the services provided, nepotism statement, period of service, resume/vita, and amount of proposed payment.

The following table contains a summary of the APS approved amounts vs. actual payments for the sample selected for testing.

Actual Paid vs Approved Estimate for 34 APS Vouchers Tested			
Actual Paid	Approved Estimate	Variance	% of Est Used
\$ 404,394.57	\$ 978,500.00	\$ (574,105.43)	41%



B.1. Lack of Identification of APS Vouchers in PeopleSoft

Although management keeps detailed records of all the APS forms that are received, there is not a system in place to identify all vouchers issued for APS expenditures in PeopleSoft. Without it, AP cannot verify that the expenses being paid are within the approved amount on the APS form, which could result in inaccurate financial reporting.

Recommendation:

Management should implement a system to identify and track all APS related vouchers to facilitate its monitoring.

Level: This finding is considered **MEDIUM** due to the possibility of paying expenditures in excess of the approved amount and inaccurate financial reporting.

Management Response:

Management agrees with the recommendations. Efforts are currently underway to evaluate different alternatives to modernize the form and ensure better tracking and reporting.

Responsible Party:

Frank Grijalva

Implementation Date:

May 31, 2019

B.2. Lack of Monitoring for Consultant Expenditures

Thirty four APS vouchers were tested for compliance to current policies and procedures and State regulations. The vouchers were tested for:

- completeness,
- timeliness,
- authorization,
- service dates, and
- employment.

The following was noted:

- **Top Five Highest Paid Consultants Processed Through an APS Form**

The estimated payments of \$836,000 were not encumbered prior to disbursing actual payments totaling \$393,776.57 for the top five consultants. Based on the tested sample, the top five individuals who received payments during the period audited (FY17-FY18 through June) are listed below:

Top 5 Consultants	Actual Amount Paid	Estimated Payment
1	\$ 185,000.00	\$ 600,000.00
2	\$ 94,998.80	\$ 110,000.00
3	\$ 60,927.77	\$ 35,000.00
4	\$ 50,000.00	\$ 51,000.00
5	\$ 2,850.00	\$ 40,000.00
Totals	\$ 393,776.57	\$ 836,000.00

- **State Purchasing Guidelines Violated**

Major consulting contracts were not filed with the Secretary of State for publication in the Texas Register. Thirteen out of 34, or 38%, APS forms estimated to exceed the \$25,000 state purchasing regulations. (Refer to [Appendix A](#))

Eleven out of 34, or 32%, estimated payments actually exceeded the \$25,000 state purchasing regulations.

- **Missing Vita/Resume**

Twenty-four out of 34, or 70.5%, APS forms did not have a Vita/Resume attached. \$265,320.57 was paid to consultants without support for their qualifications.

Note: The 24 missing vita/resumes were provided to the auditors before the end of the audit to provide support for consultant qualifications.

- **Nepotism Statement Not Addressed**

Nineteen out of 34, or 55.9%, nepotism statement fields were left blank on the APS form.

- **Missing Support for Amount Paid**

Nine out of 34, or 26%, of APS forms did not contain a copy of an invoice attachment or support for amounts paid. Missing invoices/support totaled \$9,969.81.

- **Unauthorized Approvals**

Nine out of 34, or 26%, of APS forms were missing a signature approval and date from the Vice President (VP). Signatures contained were of the Dean or Contracts and Grants (if applicable), but none from the VP.

- **Untimely Approvals**

Thirty out of 34, or 88%, of APS forms were approved after services were indicated to start.

- **Service period exceeds 30 days**

Thirty-one out of 34, or 91%, of APS service periods exceeded 30 days.

- **Employees Paid with APS**

Two out of 34 APS vouchers were paid to independent contractors who were employees within the previous 12 months of their service dates and did not disclose the relationship on the form.

Recommendation:

Management should consistently monitor APS-related vouchers for compliance with University policies and procedures and State purchasing regulations. It is also recommended that APS vouchers \$25,000 and above be routed through Purchasing for compliance fulfillment of state regulations and approved prior to routing for AP payment. The APS form and related procedures should be updated to reflect current policies and requirements. The updates should provide clear and concise language to make the form user friendly.

Level: This finding is considered **MEDIUM** due the possibility of financial loss to the University.

Management Response:

Disbursement Services concurs with the recommendation and will review and update all related policies and procedures and associated documents, including setting a dollar threshold to comply with State Purchasing regulations.

Responsible Party:

Frank Grijalva

Implementation Date:

May 31, 2019

B.3. Training is not provided to APS Form Users

There is no formal training on non-PO vouchers related specifically to APS forms, policies, and procedures. Lack of training leads to incorrect/inappropriate use of the form, non-compliance with purchasing guidelines, payroll and HR issues, and monitoring that ultimately affect AP.

Recommendation:

Thorough training should be established and provided to all University users, approvers, and monitors of the APS process.

Level: This finding is considered **MEDIUM** due the possibility of financial loss to the University.

Management Response:

Management agrees with the recommendation. Training sessions will be held across campus throughout the year to ensure end users are knowledgeable in completing the form correctly and comply with procedures. Disbursement Services will also post additional information on its website to address frequently asked questions related to APS processing.

Responsible Party:

Antonio Romero

Implementation Date:

January 1, 2019

CONCLUSION

Based on the results of audit procedures performed, we conclude that Disbursement Services has been proactive in correcting duplicate expenditures and the tracking of APS approved payments. However, the process to pay consulting/specialized services needs to be updated to fit the current needs of the University while reducing the risk of financial losses.

We wish to thank the management and staff of Disbursement Services and Grants Support for their assistance and cooperation provided throughout the audit.

**APPENDIX A: TEXAS GOVERNMENT CODE
CHAPTER 2254 PROFESSIONAL AND CONSULTING
SERVICES
SUBCHAPTER B. CONSULTING SERVICES**

Sec. 2254.021. DEFINITIONS. In this subchapter:

- (1) "Consulting service" means the service of studying or advising a state agency under a contract that does not involve the traditional relationship of employer and employee.
- (2) "Major consulting services contract" means a consulting services contract for which it is reasonably foreseeable that the value of the contract will exceed \$15,000, or \$25,000 for an institution of higher education other than a public junior college.

Sec. 2254.029. PUBLICATION IN TEXAS REGISTER BEFORE ENTERING INTO MAJOR CONSULTING SERVICES CONTRACT. (a) Not later than the 30th day before the date it enters into a major consulting services contract, a state agency shall file with the secretary of state for publication in the Texas Register:

- (1) an invitation for consultants to provide offers of consulting services;
 - (2) the name of the individual who should be contacted by a consultant that intends to make an offer;
 - (3) the closing date for the receipt of offers; and
 - (4) the procedure by which the state agency will award the contract.
- (b) If the consulting services sought by a state agency relate to services previously provided by a consultant, the agency shall disclose that fact in the invitation required by Subsection (a). If the state agency intends to award the contract for the consulting services to a consultant that previously provided the services, unless a better offer is received, the agency shall disclose its intention in the invitation required by Subsection (a).