



# TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

August 31, 2017

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Dr. Raymund A. Paredes  
Commissioner of Higher Education  
1200 E. Anderson Lane  
Austin, TX 78752

Dear Dr. Paredes:

I am attaching the final report of *A Review of Payroll Administration at the Higher Education Coordinating Board*, Report No. THECB-IA-WP-17-194. This report will be presented at the October, 2017 Agency Operations Committee meeting.

This is a category 1 report and contains no reportable observations. If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark A. Poehl, CPA, CIA, CISA, CFE  
Director, Internal Audit and Compliance

## EXECUTIVE SUMMARY

Processes over payroll administration at the Texas Higher Education Coordinating Board are effective to ensure expenditures are accurate and well-documented.

### **Audit Objective, Scope and Methodologies**

The objective of the audit was to ensure that internal controls over payroll administration were operating effectively. Our audit scope focused on current payroll processes and tested payroll disbursements to ensure:

- Inactive or ghost employees did not exist;
- Salary payments and employee contributions were processed accurately;
- Payments made to hourly paid employees were accurate;
- Information system access controls in the payroll system were adequate;
- Overtime payments were authorized and disbursed properly; and
- Payroll-related job duties were properly segregated to promote strong internal control

Audit procedures included identifying payroll processing risks, performing tests to verify the effectiveness of internal controls, interviewing personnel and reviewing supporting documentation.

We conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, if any, and conclusions based on our audit objectives.

### **Background**

The Texas Higher Education Coordinating Board transitioned to a new payroll system, CAPPS (Centralized Accounting and Payroll/Personnel System), in September 2016 to process payroll. For the month of March 2017, which was selected for testing, the Texas Higher Education Coordinating Board disbursed payroll of \$884,937 to 237 employees.

**PERFORMED BY:**

Ms. Aporajita Ahmed, CPA, CFE, CITP, CGMA, CICA, Internal Audit Lead

cc:

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