

Fiscal Management Division
Expenditure Audit Section
Auditor: Randy Taylor

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Post Payment Audit of Employees Retirement System of Texas



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EXECUTIVE SUMMARY

Audit scope

A sample of the System's payroll, purchase and travel transactions that processed through USAS and USPS during the period beginning June 1, 2012, through May 31, 2013, was audited to determine compliance with applicable state laws. In addition, limited samples were reviewed on grants, refund of revenue, payment cards and retirement benefit transactions.

The audited agency receives appendices with its full report, including a list of the identified errors and an errors 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 the attached report. The System should implement the recommendations listed in the Detailed Findings of this report. It is the System'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, Section 403.071(h) (Vernon 2013) to ensure that the System's documents comply in the future. The System 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.

Overall conclusion

Minor findings were identified for employee non-overnight meal reimbursements, late payment interest calculations and restricted service payments made with a payment card.

Generally, the System managed its expenditures in accordance with governing requirements. However, certain processes could benefit from further review in order to improve compliance with the laws and rules governing expenditures.

Payroll transactions and payroll deductions

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

- No errors were identified.

A limited sample of voluntary contributions was also audited.

- No errors were identified.

Purchase and payment card transactions

Purchase and payment card transactions were audited for compliance with the GAA, [eXpendit](#) and other pertinent statutes.

The audit identified:

- Four transactions did not include late payment interest.
- Two transactions included services not payable using payment cards.

Travel and non-overnight meal transactions

Travel and non-overnight meal transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

The audit identified:

- One transaction included an incorrect amount for a non-overnight meal.

Grant transactions

The audit included a limited review of the System's payments to survivors of peace officers killed in the line of duty as authorized by law. This review consisted of verifying that the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of the System's procedures for awarding the grants or monitoring payments made to grantees; therefore, we are not offering an opinion on those procedures.

- No issues were identified.

Refund of revenue transactions

The audit included a limited review of transactions relating to refund payments. The review consisted of verifying that the provided documentation reconciled with the payment amount in the sample.

- No errors were identified.

Retirement benefit transactions

The audit included a limited review of transactions relating to retirement benefit payments. The review consisted of verifying that the provided documentation reconciled with the payment amount in the sample.

- No errors were identified.

Investments transactions

The audit included a limited review of procedures relating to investment payments. The review consisted of verifying the procedures provided and reconciling certain payment amounts related to investments selected in the sample.

- No errors were identified.

Fixed assets

The audit included a review of a limited sample of fixed assets acquired by expenditures during our audit period to test for accurate reporting in the State Property Accounting (SPA) System and to verify existence, location and proper reporting of the fixed assets.

- All of the assets tested were in their intended location and properly recorded in SPA.

Prior post-payment audit and current audit recurring errors

We concluded a prior post-payment audit of the System's payroll, purchase and travel transactions on Feb. 1, 2010.

During the current audit, there was one recurring error:

- Transaction did not include late payment interest.

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DETAILED FINDINGS — NON-OVERNIGHT MEALS

Incorrect amount of non-overnight meals

Finding

We identified one travel voucher that reimbursed a traveler for non-overnight meals in excess of the expenses incurred.

According to the System, it intended to reimburse the employee for the amount on the voucher but the reimbursement was processed based on a list of non-overnight meals. As a result, an incorrect amount was reimbursed.

A state employee may only be reimbursed for his or her actual meal expenses not to exceed the maximum meal reimbursement for that location. The state travel expense reimbursement rate is not a per diem. The maximum should not be claimed unless the actual expenditures equal or exceed the maximum allowable rate. See [Texttravel – Meals and Lodging – Meal Reimbursements](#).

During fieldwork, the System received a reimbursement from the employee for the excess amount of the non-overnight meals.

Recommendation/Requirement

The System must ensure that all travel reimbursements are properly reviewed for accuracy and completeness at the time of payment and to ensure compliance with all applicable regulations and limitations.

System Response

The System agrees and in January 2014 implemented additional procedures to strengthen the control over the reimbursement of meals for non-overnight travel. Under the new procedures, the General Accounting Manager reviews the supporting documents for the reimbursement claims before forwarding them to the Accounts Payable Supervisor for payroll processing.

DETAILED FINDINGS — PURCHASE

Prompt payment issues

Finding

During the audit period, the System paid \$77.44 in prompt payment interest. In addition, we identified four purchase transactions that did not pay \$165.75 prompt payment interest when due. According to the System, these errors were due to oversight and using incorrect dates to calculate the due dates for these payments.

According to the prompt payment law, Texas Government Code, Section 2251.021 (a) (Vernon 2008), a governmental entity's payment is overdue on the 31st day after the latest 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 services.

The Comptroller's office automatically computes any interest due under the prompt payment law. A state agency is liable for any interest that accrues on an overdue payment and shall pay the interest from funds appropriated or otherwise available to the agency with the net amount for the goods or services. See Texas Government Code Annotated, Section 2251.026 (Vernon 2008).

Recommendation/Requirement

The System must create 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 System must verify that proper due dates are used to ensure interest due is paid correctly to the vendors.

System Response

The System agrees and in December 2013 made improvements to the process of routing invoices for divisional approval. Under the new routing process, the System uses different colors of folders to differentiate the regular from the more time-sensitive approval requests to ensure that invoices are approved and paid timely. Documents for regular approval requests are placed in a purple folder and documents for approval of paying invoices are placed in a green folder.

DETAILED FINDINGS — PAYMENT CARDS

Service not payable

Finding

The System used a purchase requisition (PR) to document its agreement with the vendor. We identified two payments made for a service after the expiration of the PR. These expenditures occurred due to oversight by the System. It did not disconnect the service in a timely manner. The service was not used during these two months.

The System may pay only the contracted amount for the period shown on the PR. When the System enters into a written agreement and creates a contract for the goods or services with a vendor, expenditures under the agreement may not exceed the established limit. The System may amend the PR and pay additional amounts only if the vendor provides a new benefit, i.e., consideration, to the agency. Any changes to the original PR must be done prior to the vendor providing the goods/services and be properly documented and dated.

Recommendation/Requirement

The System must properly review and compare the PR to the invoice to ensure that the payments do not exceed the amounts authorized in the PR. In addition, the System must document any amendments to the contract. The System must obtain additional approval prior to receipt of the invoice when purchasing goods or services that are over the specified delegated amount.

The System should enhance contract monitoring procedures for all contracts to ensure that they do not exceed the terms of the contract.

System Response

The System agrees and has implemented additional procedures to strengthen the control over the subscription of online services in January 2014. Under the new procedures, only the System's purchasers can initiate an online subscription service. End users are required to notify the purchasers immediately when the subscription is no longer in use.