

Fiscal Management Division
Expenditure Audit Section
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Audit Report # 608-13-01
January 17, 2014

Post-Payment Audit of Texas Department of Motor Vehicles



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Department of Motor Vehicles (DMV) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning June 1, 2012, through May 31, 2013, to determine compliance with applicable state laws. In addition, we conducted a limited review of non-overnight travel (meals), grants and trust or suspense payment transactions.

The audited agency or institution of higher education receives appendices with the full report that may include a list of the identified errors and a 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. DMV should implement the recommendations listed in the Detailed Findings of this report. It is DMV'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 DMV's documents comply in the future. DMV 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), [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- Missing prior state service documentation.
- Incorrect longevity payment amount.

A limited sample of voluntary contributions was also audited.

The audit identified:

- Missing payroll deduction form.
- Incorrect amount on deduction form.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

- No issues were identified.

Prompt payment

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

The audit identified:

- Interest not paid.

Travel and non-overnight travel (meals) transactions

Travel transactions were audited for compliance with the GAA, [Textravel](#) and other pertinent statutes.

The audit identified:

- Expense not payable.

Grant transactions

The audit included a limited review of DMV's transactions relating to grant payments. 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 DMV'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.

Trust or suspense payment transactions

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

- No issues were identified.

Internal control structure

DMV's internal control structure was reviewed. The review was limited to obtaining an understanding of DMV's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Four employees had the ability to adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.

Direct deposit authorization forms

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

The audit identified:

- Two outdated versions of the direct deposit setup form.
- Three instances where individuals failed to indicate whether the funds would be forwarded to a financial institution outside the United States.

Fixed assets

The audit included a limited number 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 of the assets.

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

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DETAILED FINDINGS — PAYROLL

Missing Prior State Service Documentation/Incorrect Longevity Payment Amount

Finding

Four personnel files were missing prior state service documentation necessary to verify the employees' state service and the accuracy of the longevity payments.

Because of the audit, DMV requested and obtained the prior state service verification documentation. The prior state service for three employees matched the data in USPS; therefore, the longevity amounts were correct. However, one employee reported additional service on his resume and was awarded additional state service credit which resulted in an underpayment of longevity pay of \$980.00. DMV paid the employee \$720.00 at the end of July and a payment of \$260.00 was processed through a miscellaneous claim with the Comptroller's office. According to DMV, the employees were transferred from another state agency through legislative action, and their payroll files were missing the required documentation.

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 be made available during a post-payment audit, a pre-payment audit or at any other time. See [General Provisions Q-Z – Required Documentation](#) in Texas Payroll/Personnel Resource on FMX.

We provided DMV with schedules of the missing documentation and the calculation of the longevity underpayment. The schedules are not included with this report due to the confidential nature.

Recommendation/Requirement

DMV should verify all personnel files to ensure that documentation of prior state service is obtained for its employees. In addition, DMV should review each employee's job application and/or resume for prior state service for all current and new employees.

DMV Response

The missing prior state service verification documents were for employees that were legislatively transferred to DMV from TxDOT [Texas Department of Transportation] on Nov. 1, 2009. DMV's Human Resources verified additional state service for one employee, resulting in a longevity payment of \$980.00. Human Resources staff reviews all new employees' State of Texas Application for Employment for prior state service, as well as, state service reported by employees during the on-boarding process. DMV's process is compliant with Payroll Resource's – General Provisions Q-Z – Required Documentation.

We agree with the recommendation and DMV will verify that prior state service documentation is on file for current employees.

Missing Payroll Deduction Forms/Incorrect Deduction Amount

Finding

We identified four instances of missing required payroll deduction documents and one instance where the amount of the deduction was more than the amount shown on the authorization form. As result of the audit, DMV obtained new authorization forms from each of the employees. According to DMV, the employees were transferred from another state agency through legislative action, and their payroll files lacked the required documentation.

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's office may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time. See [Voluntary Deductions](#) in Texas Payroll/Personnel Resource on FMX.

We provided DMV with the schedule during fieldwork. The schedule is not included with this report due to the confidential nature.

Recommendation/Requirement

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

DMV Response

We agree with the recommendation. DMV's payroll staff will develop a process to track all voluntary deductions entered in USPS. This tracking tool will be utilized to compare all voluntary deductions appearing on the monthly payroll trial balances. Upon review, the payroll staff will annotate that the voluntary deductions were verified against the tracking tool and be included in the payroll voucher documentation.

DETAILED FINDINGS — TRAVEL

Expense Not Payable

Finding

In our review of travel vouchers, we identified one reimbursement to an employee for meal expenses in excess of the amount allowed for the location.

A state employee may only be reimbursed for his or her actual meal expenses not to exceed the maximum meal reimbursement for that location. See [Meals and Lodging – Meals – Meal reimbursements](#) in Textravel on FMX.

Additionally, we identified one travel voucher that reimbursed for meals that included alcohol on the meal receipt. A state agency may not reimburse a state employee for the purchase of an alcoholic beverage. See Texas Government Code Annotated, Section 660.113(e) (Vernon 2012). DMV recovered the overpayment from the employee as a result of the audit.

DMV stated these errors occurred due to oversight during voucher review.

Recommendation/Requirement

We recommend that DMV continue to review all vouchers to ensure that only expenditures that comply with state laws and rules are included in the vouchers.

DMV Response

We agree with the recommendation and the Finance staff will continue to address in its yearly travel training to employees and management the maximum allowable reimbursement rates and non-reimbursable items. The training for this fiscal year was scheduled for Oct. 31, 2013; Comptroller staff provided DMV with the training.

DETAILED FINDINGS — PROMPT PAYMENT

Payments Past the Prompt Payment Deadline

Finding

We identified two purchase transactions that were paid late but no late payment interest was paid to the vendors. According to DMV, these errors were due to oversight.

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 per Texas Government Code Annotated, Section 2251.026 (Vernon 2008).

During the audit period, DMV paid vendors \$432.21 of prompt payment interest.

Recommendation/Requirement

DMV must ensure that correct due dates are entered and payment information is submitted for processing in a timely manner to avoid incurring interest liabilities.

DMV Response

We agree with the recommendation and management will provide additional training for Payment Processing staff regarding the application and calculation of Prompt Payment dates.

DETAILED FINDINGS — EXPENDITURE CONTROL

Control Weakness over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations DMV placed on its accounting staff's abilities to process expenditures. We reviewed the agency's security for USAS, USPS and the Texas Identification Number System (TINS) as well as signature cards. We did not review or test any internal or compensating controls that the agency may have relating to USAS, USPS or TINS security or internal transaction approvals.

During the audit period, we found that DMV had four employees who could adjust payment instructions in TINS and approve paper vouchers.

To reduce risks to state funds, DMV should maintain controls over expenditure processing that segregate each accounting task to the greatest extent practical. Ideally, no individual should be able to process accounting transactions within the state governmental accounting systems without another person's involvement.

DMV was not aware that these individuals had TINS security to adjust payment instructions. During fieldwork, DMV removed the security to adjust payment instructions in TINS for all four employees.

Recommendation/Requirement

DMV should continue to review the controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

DMV Response

We agree with the recommendation and have already taken correction action. User access has been corrected by removing TINS update capabilities. DMV staff who coordinate security access have updated their desk procedures to ensure both accesses are not provided.