

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

Audit Report # 466-14-01
May 2, 2014

Post-Payment Audit of Office of Consumer Credit Commissioner



Susan Combs
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Audit scope	i
Payroll transactions and payroll deductions.....	i
Purchase transactions.....	i
Travel transactions	ii
Security.....	ii
Internal control structure	ii
Direct deposit authorization form	ii
Fixed assets	iii
Prior post-payment audit and current audit recurring errors	iii

Detailed Findings — Payroll

Incorrect Payment Amount.....	1
-------------------------------	---

Detailed Findings — Purchase

Duplicate Refund	2
------------------------	---

Detailed Findings — Travel

Excessive Reimbursement	3
Interest Not Paid.....	4

Detailed Findings — Expenditure Approval

Employee Retained Ability to Expend Funds After Termination.....	5
Control Weakness Over Expenditure Processing	6

EXECUTIVE SUMMARY

Audit scope

We audited samples of the Office of Consumer Credit Commissioner (OCCC) 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 Sept. 1, 2012, through Aug. 31, 2013, to determine compliance with applicable state laws.

The audited agency or institution of higher education receives appendices with the full report that may include 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 this report. OCCC should implement the recommendations listed in the Detailed Findings of this report. It is OCCC'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 OCCC's documents comply in the future. OCCC 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:

- An incorrect salary amount paid to an employee.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

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

The audit identified:

- A duplicate refund to a vendor.

Travel transactions

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

The audit identified:

- An excessive reimbursement of lodging/meal expenses.
- Direct bill transactions paid late where interest was not paid to the vendor.

Security

The audit included a security review that entailed identifying any of OCCC's employees with security in USAS, USPS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

The audit identified:

- One employee who retained the ability to expend funds after termination.

Internal control structure

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

The audit identified:

- Two employees who can process and release payments in USAS.
- Two employees who can process and release payrolls in USPS.
- One employee who can adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.
- One employee who can process and release payments between the agency's internal system and USAS.
- One employee who can pick up warrants from the Comptroller's office and approve paper vouchers.

Direct deposit authorization form

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

The audit identified:

- Two 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 OCCC during the 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 locations and properly recorded in SPA.

The disposed assets report listed one asset as missing.

Prior post-payment audit and current audit recurring errors

A prior post-payment audit of OCCC's payroll, purchase and travel transactions was concluded on June 24, 2010.

During the current audit, two recurring errors were identified:

- Incorrect payment amount.
- Control weakness over expenditure processing.

Contact:

Jesse A. Cantú, CPA
(512) 475-0015

Contributing Auditors:

Alberto Lañas, MBA, CTPM
Randall Taylor, CTP

DETAILED FINDINGS — PAYROLL

Incorrect Payment Amount

Finding

The audit identified that OCCC paid one employee a greater amount than the salary authorized on the employee's Personnel Action Form (PAF). The employee received a merit pay increase on Sept. 12, 2012. The employee received a salary payment for that month based on the pre-merit salary amount. OCCC then paid the difference between the new salary amount and the original salary amount based on the effective date of the merit. OCCC transposed the number of hours the merit increase covered that resulted in a miscalculation of the salary owed to the employee.

According to OCCC, the overpayment occurred due to a calculation error. OCCC received the payroll schedule and calculation of the incorrect amount during fieldwork. OCCC recovered the overpayment from the employee during fieldwork.

The schedule related to these findings is not included with this report due to confidentiality issues.

Recommendation/Requirement

We recommend OCCC ensure the amounts entered into USPS are correct and match the PAF that is in effect at the time of entry.

OCCC Response

OCCC agrees with the finding that one calculation error occurred that totaled approximately \$30.00. As noted in the finding, OCCC recovered the funds from the affected employee upon discovery. OCCC has strengthened the review of payroll vouchers to prevent future errors.

DETAILED FINDINGS — PURCHASE

Duplicate Refund

Finding

We ran a report to identify potential duplicate payments processed by OCCC for the audit period. During our review of this report, we identified one revenue refund that was duplicated. The total amount of overpayment was \$25.00. As a result of the audit, OCCC recovered the overpayment from the vendor.

OCCC stated the second refund was processed due to oversight.

Recommendation/Requirement

OCCC must strengthen its current procedures to ensure that it avoids making duplicate payment to vendors. The accounting staff should ensure that payments are reconciled in an effort to prevent future duplicate payments.

OCCC Response

OCCC acknowledges the duplicate refund and the recovery of the overpayment from the vendor. OCCC will strengthen its controls over the refund process to guard against duplicate refunds.

DETAILED FINDINGS — TRAVEL

Excessive Reimbursement

Finding

We noted two travel payments which included lodging/meal expenses greater than the allowable limit for the location based on the United States' General Services Administration (GSA) rates.

In one instance, the lodging and meal allowance expense exceeded the GSA's allowable rate of \$209.00/night for the location, resulting in an overpayment of \$50.40. The overpayment amount was recovered from the employee during fieldwork as a result of the audit.

In the other instance, the lodging expense of \$179.00/night exceeded the GSA's allowable rate of \$106.00/night for the location. This resulted in an overpayment of \$219.00 for three nights' lodging. OCCC stated the individual was traveling with the Executive Director and that the payment was allowed based on Texas Government Code, Section 660.206, that authorizes an employee to actual expenses when traveling with the head of agency. However, Texas Government Code, Section 660.208, requires that the authorization contain an estimate of the approximate cost of the travel and must be authorized prior to the trip, which, in this case, was not done.

OCCC stated these errors occurred due to oversight.

A state employee who travels within the continental United States shall be reimbursed for the actual cost of lodging; however, the reimbursement may not exceed the maximum lodging rate for the employee's duty point based on the federal travel regulations as issued by the Comptroller's office. See General Appropriations Act, 2009, Article IX, Section 5.06 (a) (IX-23). Also, see [Texttravel – Meals and Lodging](#).

Recommendation/Requirement

We recommend that OCCC take steps to adequately review all vouchers submitted into USAS to ensure that only expenditures that comply with state laws and rules are included in the entries. OCCC should seek reimbursement for the excessive amounts unless it determines it is not cost effective to do so.

OCCC must update its internal policy to agree with the GSA allowable rates.

OCCC Response

OCCC acknowledges the overpayment of \$50.40 and notes that OCCC recovered the overpayment of funds. With respect to the second instance of \$219.00 overpayment, the Commissioner verbally approved the costs above the GSA rate prior to travel, although written authorization was not evident. The expense involved attendance at a meeting that the employee and the Commissioner attended together. OCCC has strengthened its process over travel expenditures to prevent exceeding the GSA amounts or providing further documentation for valid exceptions to the GSA amounts.

Interest Not Paid

Finding

We identified eight direct-bill travel payments that were paid late, with no late payment interest paid to the vendors.

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

The reason interest was not automatically generated is because the interest control flag for travel transactions is defaulted to **N** – USAS treats the expense as not subject to interest. OCCC must override this field to force USAS to pay interest by using the Interest Control Flag of **F** on all travel documents that are directly payable to vendors, including those payable to credit card companies and Reason Code DT – Direct Travel Payment in the Reason Code field.

OCCC was not aware of this requirement when processing direct-billed travel transactions.

Recommendation/Requirement

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

OCCC Response

After review of documents that were found during the audit, OCCC agrees with the finding. During the audit period, the department incurred staff turnover, which delayed payment of invoices. The Accounting Department is relatively small, consisting of an Accounting Manager and two accountants. The department has been fully staffed since July 2013 and has cross-trained employees to help ensure that payments are made in a timely manner.

DETAILED FINDINGS — EXPENDITURE APPROVAL

Employee Retained Ability to Expend Funds After Termination

Finding

During the audit period, OCCC failed to notify the Comptroller's office about the termination of an employee who had been designated by OCCC to approve its expenditures. The employee remained listed on OCCC's voucher signature cards for 199 days after termination. This means that the former employee could have approved vouchers that were submitted to the Comptroller's office on paper during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. According to OCCC, the employee remained on the signature cards due to oversight.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. See 34 Texas Administrative Code, Section 5.61 (2013).

Any officer or employee may send the Comptroller's office that notification. See Section 5.61(k)(3)(B). Additionally, Section 5.61 does not specify how the Comptroller's office is to be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings as long as the writings indicate that a designated employee has terminated employment and the notification specifies the effective date of the employee's termination.

Recommendation/Requirement

We recommend that OCCC take steps to adequately review all vouchers submitted into USAS. OCCC must also ensure that the person responsible for sending these notifications to the Comptroller's office:

- Is aware of the designated employee's termination on or before the termination becomes effective,
- Follows through with the Comptroller's office to ensure the receipt of the notification, and
- Checks to ensure that the revocation occurred.

OCCC Response

OCCC concurs with the audit finding. OCCC has strengthened its procedures for terminating employees to ensure that all authorizations are properly revoked. Furthermore, OCCC has compensating controls and procedures which would have promptly uncovered any unauthorized activity by the former long-term retiring employee.

Control Weakness Over Expenditure Processing

Finding

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

During the audit period, OCCC had three employees with multiple security capabilities, specifically:

- Two employees who can process and release payments in USAS.
- Two employees who can process and release payroll in USPS.
- One employee who can adjust payment instructions in TINS and approve paper vouchers.
- One employee who can process and release payments between the agency's internal system and USAS.
- One employee who can pick up warrants from the Comptroller's office and approve paper vouchers.

To reduce risks to state funds, OCCC 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 statewide financial systems without another person's involvement.

OCCC stated this security was necessary because OCCC is a small agency with few accounting personnel.

Recommendation/Requirement

OCCC should 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.

OCCC should request that a preventative control be enforced for all of its transactions in USAS. If an agency requests the control, an edit will prevent the release of a document that the same user entered or altered. See [USAS Accounting and Payment Control \(FPP B.005\)](#) that explains how agencies can reduce the risks to state funds.

OCCC Response

OCCC acknowledges this audit finding. As a small agency, the accounting department consists solely of an accounting manager and two accountants. In order to maintain OCCC's ability to function, the department must have employees cross trained. In particular, OCCC must have employees that can provide backup responsibility when an employee with a primary responsibility is absent for an extended period. Several of the issues noted in this audit report were due to employee turnover or extended absences within the accounting department. OCCC is working to improve the staff stability and the segregation of duties. OCCC will consider implementing the preventative control as recommended in the finding.