

Fiscal Management Division
Expenditure Audit Section
Auditor: Ben Strauser

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Post-Payment Audit of Texas Water Development Board



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Water Development Board's (TWDB) payroll, purchase, travel and grant 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.

If applicable, 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. 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 TWDB's documents comply in the future. TWDB 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

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

- 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.

- No issues were identified.

Travel transactions

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

- No issues were identified.

Grant transactions

We conducted a limited review of TWDB's transactions relating to grant payments which consisted of verifying that the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of TWDB'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.

Fixed assets

The audit included a limited number of fixed assets acquired by TWDB during the audit period. Their physical existence and use for state business was verified.

- All assets tested were in their intended location.

The disposed assets report listed one asset as stolen with a net book value of \$1,306.01. The theft of the asset was supported by a police report.

Internal control structure

As part of our planning process for the post-payment audit, we reviewed certain limitations that TWDB placed on its accounting staff members' abilities to process expenditures. We reviewed TWDB's security in USAS, USPS and the Texas Identification Number System (TINS) and voucher signature cards that were in effect on Aug. 7, 2013. We did not review or test any internal or compensating controls that TWDB may have relating to USAS, USPS or TINS security or internal transaction approvals.

Four employees had the ability to process and release payments through USAS. Another employee had the ability to adjust payment instructions in TINS and approve paper vouchers. TWDB received a schedule of this finding during fieldwork.

We ran a report to determine whether any of TWDB's payment documents processed through USAS during the audit period because of the action of a single individual. The report indicated that four USAS documents totaling \$66,843.91 were processed without electronic oversight. We reviewed these documents and determined that they were valid.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practical. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the state governmental accounting systems without another person's involvement.

TWDB should request that a preventative control be enforced for all of their 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 \(FPP B.005\)*](#) about reducing agency risks to state funds.

Direct deposit authorization form

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

The audit identified:

- Six instances when TWDB used an outdated version of the direct deposit setup form which did not adhere to the National Automated Clearing House Association rules requiring the identification of a direct deposit payment if it is an International Automated Clearing House Transaction.

Prior post-payment audit and current audit recurring errors

A prior post-payment audit of TWDB's payroll, purchase and travel transactions was concluded on March 2, 2010.

During the current audit we found one recurring error:

- Control weakness over expenditure processing.

In prior audits, TWDB acknowledged that small agencies often find it challenging to have staff available to maintain a complete separation of duties at all times. However, TWDB has taken additional precautions outside the accounting systems to mitigate the risk.

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