

Fiscal Management Division  
Expenditure Audit Section  
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# Post-Payment Audit of Health Professions Council



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Health Professions Council (Council) payroll and purchase transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning March 1, 2013, through Feb. 28, 2014, to determine compliance with applicable state laws.

The Council received appendices with its full report that included a list of the identified errors. 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. The Council should implement the recommendations listed in the Detailed Findings of 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 the Council's documents comply in the future. The Council 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.*

### Purchase transactions

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

The audit identified:

- One transaction that failed to document the required centralized master bidders list (CMBL) solicitation.

### Prompt payment and payment scheduling

We audited the Council's compliance with the prompt payment law and scheduling rules.

The review identified:

- Fifty-seven purchase documents that did not pay interest when due.

## Payroll transactions and deductions

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

- No issues were identified.

All of the Council's voluntary contributions were also audited.

- No issues were identified.

## Internal control structure

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

The audit identified:

- Two employees who could process and release payments through USAS without oversight.
- One of these two employees could also:
  - Adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.
  - Process and release payrolls.
  - Pick up warrants from the Comptroller's office and approve paper vouchers without oversight.

## Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the 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

A prior post-payment audit of the Council's payroll, purchase and travel transactions was concluded on Oct. 1, 2010.

During the current audit, the following recurring errors were identified:

- Control weakness over expenditure processing.
- Prompt payment errors.

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In prior audits, the Council acknowledged that in a small agency it is often challenging to have the staff available to maintain a complete separation of duties at all times. Along with our previous recommendation to use a report that identifies documents that the same user entered or altered and then released, the Council should also take additional precautions to mitigate the risk.

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## DETAILED FINDINGS — PURCHASE

### Prompt Payment Issues

#### Finding

According to the prompt payment law, Texas Government Code, Section 2251.021(a) (Vernon 2013), 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 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 2013).

During the audit period, we identified 57 purchase documents that did not pay interest when due because the Council did not enter the correct payment due dates in USAS. These resulted in interest errors totalling \$100.74. According to the Council, the late payments were the result of staffing limitations.

#### Recommendation/Requirement

The Council must strengthen its procedures to ensure all supporting documentation is obtained so that payment information can be submitted for processing in a timely manner to avoid incurring interest liabilities. The Council must also verify that proper due dates are entered in USAS to ensure that, if interest is due, it is actually paid to the vendor(s).

#### Council Response

*We concur with all findings.*

## Missing CMBL Solicitation

### Finding

We identified one procurement transaction where the Council failed to provide the [CMBL](#) profile printout dated prior to their respective contract awards. Furthermore, the Council was unable to provide proof that CMBL vendors were actually solicited. The CMBL is a database of registered vendors that includes contact information and lists the goods and services they offer. Vendors pay a nominal annual fee to receive notification of opportunities for solicited commodities and/or services through an Invitation for Bid, Request for Proposal, Request for Offer or Request for Qualifications. Unless exempted by law, the CMBL must be used for all procurements subject to Texas Procurement and Support Services (TPASS) authority. The CMBL must also be used to gather information for noncompetitive procurement processes and vendor performance data.

Agencies must print out the awarded vendor's CMBL profile showing the expiration date for file documentation. State of Texas government entities must provide proof that the CMBL system was checked prior to any contract award or renewal. See Texas Government Code, Section 2155.263, 2155.264 (Vernon 2013) and 34 Texas Administrative Code, Section 20.34(g)(2013).

### Recommendation/Requirement

To ensure adherence to the rules and laws that govern Texas' procurement practices, all agencies and institutions of higher education must use the CMBL for all purchases, including services, for which competitive bidding or competitive sealed proposals are required. A copy of the CMBL search results from the specified website must be used as evidence that a vendor search was performed by the agency and is included in the contract file.

### Council Response

*We concur with all findings.*

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## DETAILED FINDINGS — INTERNAL CONTROL STRUCTURE

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations the Council placed on its accounting staff's abilities to process expenditures. We reviewed the agency's security for USAS, USPS, TINS and 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 and due to the size of the agency, the Council had two employees who could process and release payments through USAS without oversight. One could also adjust payment instructions in TINS and approve paper vouchers, process and release payrolls, pick up warrants from the Comptroller's office and approve paper vouchers without oversight.

To reduce risks to state funds, the Council 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. We ran a report to determine whether any of the Council's payment documents processed through USAS or USPS during the current audit period were processed without oversight. The report identified 137 USAS and 12 USPS documents that were entered or changed and approved by the same person without oversight, totaling \$954,003.99. We verified that all of these transactions were valid expenditures.

#### Recommendation/Requirement

As recommended in our prior audit, the Council should continue to review the controls over expenditure processing and segregate each task to the greatest extent possible to ensure that no individual is able to process payments without oversight. We strongly recommend that the Council request the implementation of the preventive control discussed in [USAS Accounting and Payment Control \(FPP B.005\)](#) for all transactions in USAS and USPS. With this modification on its profile, an edit automatically prevents the release of a document that the same user entered or altered. This implementation would allow the Council to establish independent control over this recurrent risk.

#### The Council Response

*We concur with all findings.*