

Fiscal Management Division  
Expenditure Audit Section  
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# Post-Payment Audit of Office of the Attorney General



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Office of the Attorney General (Office) 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 Dec. 1, 2012, through Nov. 30, 2013, to determine compliance with applicable state laws. In addition, a sample of grant transactions was also reviewed as part of the audit.

The Office 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 Office should implement the recommendations listed in the Detailed Findings of this report. It is the Office'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 the Office's documents comply in the future. The Office 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 deductions

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

The audit identified:

- One overpayment of lump sum termination.

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

The audit identified:

- Four payroll deduction forms missing from employee files.

### 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.

## Grant transactions

The audit included a limited review of the Office's 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 the Office's procedures for awarding the grants or monitoring payments made to grantees; therefore, we are not offering an opinion on those procedures.

The audit identified:

- One duplicated grant payment.

## Travel transactions

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

- No issues were identified.

## Security

The audit included a security review to identify any of the Office'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.

- No issues were identified.

## Internal control structure

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

The audit identified:

- Fourteen employees who could process and release payments through USAS without oversight. Of these 14:
  - Four could also adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers without oversight.
  - Two could also process and release payrolls without oversight.
  - Two could also 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.

During the audit period, the Office reported 14 missing assets and four stolen assets with a net book value of \$976.78. The assets reported as stolen were supported by a police report.

## Direct deposit authorization forms

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

The audit identified:

- That the Office did not have the direct deposit setup forms for two employees. The direct deposit forms are necessary to document compliance with 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 the Office's payroll, purchase and travel transactions was concluded on July 26, 2010.

During the current audit, the following recurring error was identified:

- Control weakness over expenditure processing.

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## DETAILED FINDINGS — PAYROLL

### Overpayment of Lump Sum Termination Pay

#### Finding

One terminated employee was overpaid for her lump sum payment. The employee's vacation balances were calculated incorrectly, resulting in an overpayment of \$362.89 for 15 hours. The employee was given credit for an extra full month of service which led to a miscalculation in the months of service credit.

The proper calculation of the state effective service date is derived by subtracting the total days of lifetime service credit from the most recent employment date. That date is used to determine when the longevity pay is to be increased.

See [Texas Payroll/Personnel Resource – Longevity Pay](#).

We provided the Office with the schedules and calculations of the incorrect payment amounts during fieldwork. They are not included in this report because they contain confidential information.

The Office corrected the employee's months of service in its internal system during fieldwork to ensure future longevity pay increases occur at the correct times. The Office is working on getting a refund for the sum overpaid.

#### Recommendation/Requirement

The agency must ensure that the correct number of hours is used to calculate termination pay. See [Texas Payroll/Personnel Resource – Partial Payment Calculations](#).

The Office must review its controls and personnel records to ensure accuracy and completeness. The Office should also caution its employees to verify all totals submitted. The Office must ensure that it enters employees' vacation information in a timely manner. The Office should consider recovering overpayments in accordance with Chapter 666, Texas Government Code.

#### Office Response

*The Manager of Benefits & Leave (Manager) will send an e-mail to all division office managers, reminding them that it is important to notify the Human Resources Division of all separations in a timely manner and that all leave should be entered into the electronic leave system (e-Leave) by the employee's last day in the office. In addition, as of January 2014, the Leave Section confirms that the employee has only received vacation accruals for the appropriate months prior to making the vacation payout entry into USPS. The agency collects overpayments in accordance with Texas Government Code §666.*

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## DETAILED FINDINGS — GRANT TRANSACTIONS

### Duplicate Payments

#### Finding

We ran a report to identify potential duplicate payments processed by the Office for the audit period. During our review of this report, we determined that one duplicate grant payment was made. The total amount of the overpayment was \$6,500.00.

As part of its controls, the Office runs a report entitled, “Hold and Errors,” to identify payments that may have errors. According to the Office, although the second bill processed appeared on the Holds and Errors report, the reviewer entered an override code and it was paid.

#### Recommendation/Requirement

The Office should continue to monitor its Holds and Errors report and increase training for its employees regarding this report. The accounting staff should ensure that the invoice and payment are reconciled in an effort to prevent duplicate payments.

The Office should seek reimbursement of this overpayment if it determines it is cost effective to do so.

#### Office Response

*We will continue to monitor our Holds and Errors report and have provided additional training to staff.*

*Training will be provided to all staff members who monitor the Holds and Errors report and to those that have override capabilities. In addition, as we develop our replacement system for the legacy case management system, we will work with our vendor to ensure the strongest duplicate payment edits possible are included. This new system is scheduled to go online in May 2015.*

*It was determined that the overpayment was made on an ongoing claim that will have future awards. Rather than seek a reimbursement, future awards will be offset against the overpayment until the full amount is recouped.*

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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 Office placed on its accounting staff's abilities to process expenditures. We reviewed the agency's security for USAS, USPS and 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, the Office had 14 employees who could process and release payments through USAS without oversight. Of these 14:

- Four could also adjust payment instructions in TINS and approve paper vouchers.
- Two could also process and release payrolls without oversight.
- Two could also pick up warrants from the Comptroller's office and approve paper vouchers without oversight.

To reduce risks to state funds, the Office 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. As a result of the audit, the Office requested that a preventive control be implemented for all of its transactions in USAS. With this modification, a system edit prevents the release of a document that the same user entered or altered. The preventive control was put in place effective May 21, 2014.

We ran a report to determine whether any of the Office's payment documents processed without oversight through USAS or USPS during the current period. The report identified 11 USAS documents that were entered or changed and approved by the same person without oversight, totaling \$2,522,918.08. We verified that all of these transactions were valid expenditures.

#### Recommendation/Requirement

The Office 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.

**Office Response**

*Our agency has a strong system of internal controls and compensating controls that would detect or prevent any inappropriate use of funds for most of the issues that appear to concern the auditors. However, to address the auditors' concerns, the various levels of security and the rights for specific individuals are being reviewed and changes will be made to delete much of the access for many of the individuals identified by the auditors. OAG management will continue to evaluate these processes and make changes to the security in an attempt to reduce the level of risk associated with these transactions.*