

Fiscal Management Division
Expenditure Audit Section
Auditor: Raymond McClintock

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Post-Payment Audit of Public Utility Commission of Texas



Susan Combs
Texas Comptroller of Public Accounts

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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Public Utility Commission of Texas (Commission) 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 Commission received appendices with the 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 Commission should implement the recommendations listed in the Detailed Findings of this report. It is the Commission'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 Commission's documents comply in the future. The Commission 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), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

- No issues were identified.

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:

- Missing pertinent procurement documentation.

Travel transactions

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

- No issues were identified.

Internal control structure

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

The audit identified:

- One employee who can process and release payrolls.
- Three employees who can adjust payment instructions in the Texas Identification Number System (TINS) and approve vouchers.
- One employee who can pick up warrants from the Comptroller's office and approve vouchers.

Grant transactions

A limited review of the Commission's transactions relating to grants was conducted as a part of our sample. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Commission's procedures for awarding the grants or monitoring payments made to the payees; therefore, no opinion is being offered on those procedures.

- No issues were identified.

Fixed assets

The audit included a limited number of fixed assets acquired by the Commission during the audit period to test for accurate reporting in the State Property Accounting (SPA) System and to verify existence of the 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 Commission's payroll, purchase and travel transactions was concluded on July 2, 2010.

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

- Control weakness over expenditure processing.

Contact:

Raymond McClintock
512-463-4859

Contributing Auditors:

Bill Hornstein, CTP
Anna Calzada

DETAILED FINDINGS — PURCHASE

Missing Procurement Documentation

Finding

Within our purchase groups, we identified three contracts that were missing the Texas Procurement and Support Services (TPASS) delegation of purchase letter.

For contracts greater than \$100,000, TPASS has the discretion to make the procurement on behalf of the agency or allow the agency to make the procurement. If TPASS allows the agency to make the procurement, it will send a delegation of purchase letter to the agency. See section 2.10 of the [State of Texas Procurement Manual](#). The Commission stated that, at the time these contracts were signed, they did not know that the TPASS delegation of purchase authority letter was required.

Two of three contracts did not include documentation of the vendor searches on the federal Excluded Parties List System (EPLS). The agency indicated that EPLS was checked prior to awarding any business to its vendors; however, without documentation of the vendor searches on EPLS, we could not ascertain whether the Commission ensured its vendors were not barred vendors.

Prior to awarding any contracts, state agencies and qualified local government purchasing entities were required to check the list of vendors excluded from doing business at the federal level by utilizing EPLS. This is an electronic database listing of parties excluded from federal procurement and non-procurement programs.

Note: EPLS has been replaced by the System for Award Management (SAM) at <https://www.sam.gov/portal/public/SAM/>. SAM must be checked seven days prior to any award or contract renewal being made by state of Texas governmental entities. See Texas Government Code, Section 2155.077 (Vernon 2008) and 34 Texas Administrative Code, Section 113.102(d)(8) (2013).

According to the Commission, it was not previously aware of the TPASS delegation purchase letter requirement. Currently, there is a new purchaser and legal advisor and procedures are being completed per the Comptroller's office rule/guideline.

Recommendation/Requirement

The Commission must contact the TPASS division of the Comptroller's office whenever it estimates that a contract will exceed \$100,000. If TPASS delegates the authority to the Commission, the Commission must obtain a delegation purchase letter from TPASS.

The Commission must check SAM seven days prior to any award or contract renewal. A copy of the SAM search results from the specified website must be retained.

Commission Response

The Commission has hired a new purchaser that is a Certified Texas Procurement Manager (CTPM) and a Certified Texas Contract Manager (CTCM) who works very closely with our new Director of General Law. Our current practices include complying with the delegation requirement of purchases over \$100,000 and SAM review before issuing a contract and retaining the documentation. We are currently updating our internal procedures manual to ensure that we continue to comply with all state of Texas procurement rules and regulations.

All staff associated with the execution of the previous contracts are no longer with the Commission.

DETAILED FINDINGS — EXPENDITURE APPROVAL

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations the Commission placed on its accounting staff members' abilities to process expenditures. We reviewed the Commission's security in USAS, USPS, TINS and the signature cards that were effective on Oct. 14, 2013. We did not review or test any internal or compensating controls that the Commission may have relating to USAS/USPS/TINS security.

During the audit period, we identified three individuals with the ability to adjust payment instructions in TINS and approve paper vouchers. One of these individuals could also pick up warrants from the Comptroller's office and approve paper vouchers. We also identified one individual who can process and release payrolls. The Commission received a schedule of these findings during fieldwork.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate 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 statewide financial systems without another person's involvement.

We ran a report to determine whether any of the Commission's payment documents processed through USAS and/or USPS during the audit period because of the action of only one person. We identified none.

Recommendation/Requirement

The Commission should review the controls over expenditure processing and segregate each task to the greatest extent practical to ensure that no individual is able to process payments without oversight. [USAS Accounting and Payment Control \(FPP B.005\)](#) discusses a USAS tool, available to the Commission, that can strengthen internal controls and reduce risks to state funds:

- The Commission may 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, or warn when this is about to occur.

Commission Response

The Commission understands and continues to review our internal controls. We have contacted the Comptroller's office for resources and guidance on separation of duties within the accounting department for continued compliance. While this is a difficult area to comply with for most small/mid-size state agencies that have limited staff to complete the various tasks of the accounting department, we will continue to ensure our internal controls are adequate to prevent any fiscal misconduct.