

Fiscal Management Division  
Expenditure Audit Section  
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# Post-Payment Audit of the Texas Alcoholic Beverage Commission



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas Alcoholic Beverage Commission (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 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:

- Missing prior state service verification/incorrect state effective service date.

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.

- No issues were identified.

### Travel transactions

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

The review identified:

- One employee who was not eligible for non-overnight travel meal expense.

### Revenue refund transactions

The audit included a limited review of the Commission's transactions relating to revenue refund payments. This review consisted of verifying that payments did not exceed the authorized amounts.

- No issues were identified.

### Fixed assets

The audit included a limited review of 13 fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify existence of the asset.

- No issues were identified.

During the audit period, the Commission reported 16 missing assets with a net book value of \$218.62 and one stolen asset with a net book value of \$1,828.86. The asset reported as stolen was supported by a police report.

### 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. The same employee can also pick up warrants from the Comptroller's office and approve paper vouchers.

### Security

The audit included a security review to identify any of the Commission's employees with security in USAS, USPS and 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 review identified:

- Two employees who remained listed on the Commission's voucher signature cards after termination.
- An additional employee who retained the ability to expend funds in USAS after his authority expired.

## Direct deposit authorization forms

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

The audit identified:

- One vendor who was set up using the correct direct deposit form; however, the form was not completed properly. The form did not indicate whether or not the direct deposit payment was an International Automated Clearing House transaction as required by the National Automated Clearing House Association rules.

## 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 March 24, 2010.

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

- Longevity pay amounts incorrect.
- Missing prior state service verification.

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## DETAILED FINDINGS — PAYROLL

### Prior State Service/Longevity Payment Amounts Incorrect

#### Finding

##### Prior state service

In our review of the Commission's payroll transactions, we identified five employees with incorrect state effective service dates in USPS.

Four employees did not have prior state service verification forms in the employee personnel file. During fieldwork, the Commission obtained the prior state service verification forms and adjusted state effective service dates for the affected employees. This adjustment did not result in an increase in hazardous duty pay for two employees because their creditable state service at a university was not in a hazardous duty position. Two other employees, however, received additional state service credit and, as a result, were underpaid longevity pay. The total combined amount of longevity pay underpayment for both employees was \$280.00.

##### Longevity payment

We also identified one instance where the Commission paid an employee an incorrect amount of longevity pay based on an incorrect effective service date in USPS resulting from the employee's leave without pay (LWOP) at a prior state agency that was not entered in USPS. The Commission stated that the LWOP was overlooked when entering the service dates in USPS. Because of this omission, the employee was overpaid an amount of \$200.00 in longevity pay during employment at the Commission. The Commission entered the LWOP into USPS during fieldwork.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require documentation be made available during a post-payment audit, a pre-payment audit or at any other time.

See [Texas Payroll/Personnel Resource – Required Documentation](#).

We provided the Commission with schedules and calculations of the total creditable state service, the correct state service dates, and the incorrect payment amounts during our fieldwork. The schedules are not included with this report due to confidentiality.

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## Recommendation/Requirement

The Commission must ensure that:

- Prior state service verifications are properly documented for its employees.
- All resulting data entry in USPS from these verifications properly match the information received.
- The LWOP is entered in USPS to modify the state effective service date when an employee has LWOP that is more than a full calendar month.

The Commission should promptly correct the underpayments through a supplemental payroll. See 34 Texas Administrative Code, Section 5.40(c)(2012). The Commission should also consider recovering the incorrect longevity overpayment from the employee in accordance with Chapter 666, Government Code. If the Commission decides to recover the overpayment, the Commission must first notify the employee in accordance with Section 666.003, Government Code, before commencing collection.

## Commission Response

*The Commission agrees with the recommendation and will continue to emphasize the correct completion of the agency's form HR-08 during new employee orientation. The HR-08 requires each employee to document any prior state service, and human resources will verify service of each new employee. The form will be updated to include a signature line from each new employee to confirm they have completed the form accurately. Current employees identified in this audit with errors in longevity have been corrected and the payroll adjustment will be processed in the Commission's next supplemental payroll. The Commission will also follow the auditor's recommendations to utilize reports on state service that may be provided by the agency's Statewide Human Resource & Payroll Assistance contact with the Comptroller's office.*

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## DETAILED FINDINGS — TRAVEL

### Meals Not Payable

#### Finding

We identified one transaction in which an employee received payment for non-overnight meals in error. The employee received meals at a duty point within the city limits of the employee's designated headquarters.

A state employee may be reimbursed for a meal expense incurred on a day that the employee conducts state business outside of his or her designated headquarters. See Texas Government Code, Section 660.113(b). The designated headquarters is the area within the boundaries of the city in which a state employee's place of employment is located. See Texas Government Code, Section 660.002(7). (2012)

The Commission's travel policy allows reimbursement of meals outside the designated headquarters even if the duty point is within the city limits of the designated headquarters as long as the employee is away from the designated headquarters for more than six hours. The employee was paid \$8.75 for the non-overnight meals.

#### Recommendation/Requirement

The Commission must change its travel policy to comply with state law and ensure that all travel reimbursements are in compliance with all applicable regulations and limitations. The Commission must obtain a reimbursement from the traveling employee unless it determines it is not cost effective to do so.

#### Commission Response

*The agency agrees with the recommendation. The travel policy was updated accordingly on Feb. 19, 2014. The Commission did not seek reimbursement as it is not cost effective for the small amount.*

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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### 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's abilities to process expenditures. We reviewed the Commission's security for USAS, USPS and the Texas Identification Number System (TINS) as well as signature cards. We did not review or test any internal or compensating controls that the Commission may have relating to USAS, USPS or TINS security or internal transaction approvals.

During the audit period, the Commission had one employee who could process and release payrolls and could also pick up warrants from the Comptroller's office and approve paper vouchers.

To reduce risks to state funds, the Commission 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. Because of the audit, the Commission made the necessary changes to remove the employee from the expenditure approval process.

#### Recommendation/Requirement

The Commission should continue to review the controls over expenditure processing and segregate each task to the extent possible so that no individual is able to process payments without oversight.

#### Commission Response

*The agency agrees with the recommendation. One employee had the ability to release payroll and pick up warrants. This has been rectified.*

## Employees Retained Ability and Security to Expend Funds After Termination/Authority Expired

### Finding

During the audit period, the Commission did not notify the Comptroller's office about the termination of two employees designated by the Commission to approve its expenditures. The employees remained listed on the Commission's voucher signature cards for 87 and 25 days, respectively, after the employees' termination. The Commission is required to notify the Comptroller's office within five days after termination. The Commission's notification was 82 days late for one employee and 20 days late for the other employee. This means that the former employees could have approved paper vouchers submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the employees' expired authority would have constituted an unapproved expenditure. Another employee retained USAS security for 28 days after termination, allowing the employee the ability to approve electronic vouchers during that time. According to the Commission, the employees remained on the signature card and USAS security due to an 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.

For an employee whose authority to approve an agency's expenditures is revoked for any reason, the employee's USAS security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See 34 Texas Administrative Code, Section 5.61(k)(5)(A)-(B) (2013).

### Recommendation/Requirement

The Commission must ensure compliance with the preceding requirements. The Commission 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
- Ensures that the revocation occurred.

**Commission Response**

*The agency agrees with the recommendation. Security coordinators will be made immediately aware of employees terminating employment with the agency. Coordinators have also been instructed to terminate access on departing employees and not revoke access.*