Post-Payment Audit of the Texas Historical Commission
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EXEcutivE Summary

Audit scope

We audited a sample of the Texas Historical 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 Dec. 1, 2012, through Nov. 30, 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. 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.

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.

- 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:

- Improper payment of sales tax for three payment card transactions.

Prompt payment

We audited the Commission’s compliance with the prompt payment law and scheduling rules.

The audit identified:

- Interest not paid for four purchase transactions.
Executive Summary

Travel transactions
Travel transactions were audited for compliance with the GAA, Textravle and other pertinent statutes.

- No issues were identified.

Fixed assets
The audit included a review of a limited sample 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 assets tested were in their intended location and properly recorded in SPA.

Security
The audit included a security review to identify any of the Commission’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.

The review identified:

- One employee who retained the ability to expend funds after termination.

Internal control structure
As part of our planning process for the post-payment audit, we reviewed certain limitations that the Commission placed on its accounting staff members’ abilities to process expenditures. We reviewed the Commission’s security in USAS, USPS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on Feb. 11, 2014.

The audit identified:

- Two employees who could process and release payments through USAS without oversight.
- Two employees who could pick up warrants from the Comptroller’s office and approve vouchers.
- One employee who could adjust payment instructions in TINS and approve paper vouchers without oversight.
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 Aug. 25, 2010.

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

- Improper payment of sales tax.
- Interest not paid.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PURCHASE

Improper Payment of Sales Tax

Finding

We identified three payment card transactions where sales tax was paid. These errors were identified on a report generated outside of our sample. The amount of sales tax the Commission paid in error was $190.84.

The Commission has procedures for cardholders to provide tax-exempt certificates to vendors. The Commission is pursuing these credits as a result of the audit and stated that it will review the procurement card billing prior to entry into USAS to ensure that no sales tax is included on any of the invoices/charges. If tax is included, the Commission will notify the vendor that the tax needs to be refunded on the card and will short pay any invoices that include tax.

The state of Texas, its incorporated agencies and instrumentalities are exempt from sales taxes. See 34 Texas Administrative Code, Section 3.322(c)(4) (2013). The purchase, lease or rental of a taxable item to an exempt organization is exempt from tax when the organization or an authorized agent pays for the taxable item and provides the vendor with an exemption certificate in lieu of tax. See 34 Texas Administrative Code, Section 3.322(f)(2) (2013).

Recommendation/Requirement

The Commission must ensure its procedures are followed to prevent payment of any sales taxes for which the Commission is not liable.

Commission Response

The Agency agrees with this recommendation. The THC will continue to educate the staff on the importance of using tax-exempt certificates when making purchases with the procurement card and to check invoices before finalizing sales to ensure that tax is not included in the total. The THC will also continue to audit the monthly billings from the credit card company and request refund of sales tax when it appears on the billings.

The THC did contact the vendors identified during the audit and requested refunds of the sales tax amounts charged.
Detailed Findings — Prompt Payment

Prompt Payment Issues

Finding

According to the prompt payment law, Texas Government Code, Section 2251.021 (a) (Vernon 2008), a governmental entity’s payment is overdue on the 31st day after the later 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 service.

The Comptroller’s office computes and automatically pays any interest due under the prompt payment law when the Comptroller’s office is responsible for paying the principal amount on behalf of the agency. See Texas Government Code, Section 2251.026 (Vernon 2010).

During the audit period, the Commission paid $7.49 in late payment interest. In addition, we identified four purchase documents that did not pay interest when due. These resulted in an amount of interest errors totalling $161.78. The Commission stated that this occurred due to an oversight.

Recommendation/Requirement

The Commission must ensure that vendors are paid according to the prompt payment law so that payments are processed in a timely manner.

Commission Response

The Agency agrees with this recommendation. The Historical Commission will continue to monitor due dates on all vouchers and ensure that accurate dates are used when entering vouchers into USAS for payment. The agency will also monitor USAS closely to ensure that any errors are corrected in a timely manner to ensure that payments process on time. We will continue to train staff on the proper use of payment due dates and will verify dates when signing vouchers for payment.
DETAILED FINDINGS — EXPENDITURE APPROVALS

Employee Retained Ability and Security To Expend Funds After Termination

Finding

During the audit period, the Commission did not notify the Comptroller’s office about the termination of one employee designated by the Commission to approve its expenditures. The employee remained listed on the Commission’s voucher signature cards for 26 days after the employee’s termination. The Commission is required to notify the Comptroller’s office within five days after termination. The Commission’s notification was 21 days delinquent. This means that the former employee 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 employee’s expired authority would have constituted an unapproved expenditure. This employee also retained USAS security for six days after termination allowing the employee to approve electronic vouchers during that time. According to the Commission, the employee 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 date the termination becomes effective and
• Follows through with the Comptroller’s office to ensure the receipt of the notification, and
• Checks to ensure that the revocation occurred.
Commission Response

The Agency agrees with this recommendation. The Agency Security Coordinator will now be responsible for informing the Comptroller’s office of the termination of designated staff.

The Commission has updated their “Departing Employee” form to include a section that includes the USAS ID of any applicable staff member as well as signature card updates if needed.
Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Commission placed on its accounting staff members’ abilities to process expenditures. We reviewed the Commission’s security in USAS, USPS, TINS and voucher signature cards that was in effect on Feb. 11, 2014. 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.

We identified two employees who could process and release payments through USAS without oversight and who could pick up warrants from the Comptroller’s office and approve paper vouchers. One of the employees could also adjust payment instructions in TINS and approve paper vouchers. The Commission received a schedule of this finding during fieldwork.

We ran a report to determine whether any of the Commission’s payment documents processed through USAS and USPS during the audit period because of the action of only one person. No payments processed in USAS or USPS that processed because of the action of one employee.

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. As a result of the audit, the Commission made changes in expenditure processing for the two employees.

Recommendation/Requirement

The Commission should 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. The Commission 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 (B.005) about reducing risk to state funds.

Commission Response

The Agency agrees with this recommendation. The agency has established controls over expenditure processing and have segregated each task to the extent possible to ensure that no transactions are processed by only one person. The THC will request the Risky Document Report (DAFR9840) monthly to monitor document activity. We will also implement the document tracking control edit in USAS to further ensure that no one person is entering and releasing documents.