

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Bill Hornstein

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# Post-Payment Audit of Texas State Board of Public Accountancy



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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Texas State Board of Public Accountancy (Board) payroll, purchase, travel and refund 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 Board is one of three agencies that come under the Self-Directed Semi-Independent Agency Project Act (Vernon's Texas Civil Statutes, Article 8930). The Board approves its own budget and retains and manages much of its fee revenue rather than being included under the General Appropriations Act (GAA). Our audit procedures were conducted uniformly as with other state agencies to reflect the Board's operation as a state agency.

The Board 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.

*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.*

The audit provides a reasonable basis for the findings set forth in this report. The Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board'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 Board's documents comply in the future. The Board must ensure that the findings discussed in this report are resolved.

## Payroll transactions

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

The audit identified:

- One incorrect longevity pay amount.

## 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:

- Two contracts for which the Board did not use Department of Information Resource-contracted vendors.

## Travel transactions

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

- No issues were identified.

## Refund transactions

Our audit included a limited review of the Board's transactions relating to refund payments. This review consisted of verifying that the documentation provided reconciled with the payment amount in our sample.

- No issues were identified.

## Internal security

The audit included a security review to identify any of the Board's employees with security in USPS, USAS, the Texas Identification Number System (TINS) 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 Board's internal control structure was reviewed. The review was limited to obtaining an understanding of the Board's controls sufficient to plan the audit and did not include tests of control policies and procedures.

- No issues were identified.

## Prior post-payment audit and current audit recurring errors

A prior post-payment audit of the Board's payroll, purchase and travel transactions was concluded on Aug. 19, 2010.

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

- Incorrect longevity payment amount.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity Pay Amount

#### Finding

In our audit of the payroll transactions, we identified one employee with an incorrect state effective service date in USPS. The Board obtained a prior state service verification form from the previous employer but did not correctly enter the date from the form into USPS. This resulted in an incorrect payment of longevity pay to the employee for \$80.00. The Board explained that it was not aware that the effective service date was incorrectly entered into USPS.

The effective service date is derived by subtracting total days of lifetime service credit from the most recent employment date. The date is used to determine when longevity pay is to be increased. See the [Texas Payroll/Personnel Resource – Longevity Pay](#).

The Board verified the date and corrected the employee's state effective service date to ensure future payments are correct and requested the refund of longevity overpay from the employee.

We provided the Board with the schedule of the incorrect effective service date during the fieldwork. The schedule is not included with this report due to confidentiality.

#### Recommendation/Requirement

The Board must ensure that prior state service is properly verified, entered and documented for its employees.

#### Board Response

*An inadvertent date was used when entering the employee's service into USPS. The agency is currently pursuing a refund from the former employee.*

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## DETAILED FINDINGS — PURCHASE

### DIR-Contracted Vendor Not Used

#### Finding

The Board entered into two contracts with vendors who were not on the list of Department of Information Resources (DIR) negotiated contracts for products and services. The Board requested bids from only two vendors out of dozens on the DIR contracts list, along with a third vendor who was not on that list. The Board selected the third vendor without receiving competitive bids from any DIR contracted vendor. The Board did not request an exemption from DIR to use a non-contracted vendor.

Texas Government Code, Section 2157.068, requires state agencies to buy commodity items from DIR contracts unless the agency obtains an exemption from DIR. Commodity items are defined in Texas Administrative Code, Section 212.1, and include “commercially available Software, Hardware and Technology Services.” This statute is mandatory and not permissive. The contracts were for technology services and do fall under the definition of commodity items.

The Board believed that it was correctly following these statutes when it selected this vendor.

#### Recommendation/Requirement

The Board must ensure that it contracts for goods or services offered by a DIR-contracted vendor when a DIR-contracted vendor is available, or obtain a written exemption from DIR allowing it to use a non-contracted vendor.

#### Board Response

*Board staff manage the design, development and operation of all automated systems utilized at the agency. As a result, the staff has the technical knowledge of these systems and has developed extensive documentation on the services required to successfully support the proprietary systems.*

*Section 2157.068(f) of the Government Code applies to “commodity items” that are “generally available to businesses or the public and for which the department determines that a reasonable demand exists in two or more state agencies.” Because of the unique system developed by Board staff, we believe the required services are not a commodity item generally available pursuant to Government Code 2157.068.*

*However, as previously indicated, Board staff reviewed DIR vendor contracts that provide IT commodity services. Although Board staff did not find a DIR vendor that provides the unique services required, in a good faith effort, a detailed Request for Offer (RFO) was sent to two DIR-contracted vendors. No responses were received from these vendors.*

*A single vendor, Renaissance Systems, Inc., responded to the RFO.*

*It would serve no purpose to request an exemption from the DIR list of vendors who would or could not respond to the unique requirements of the Board's systems.*

### **Comptroller Response**

Regardless of other actions taken, statute requires an exemption from DIR if a DIR-contracted vendor is not used.