

Fiscal Management Division
Expenditure Audit Section
Auditor: Valerie Davis

Audit Report # 306-14-01
August 27, 2014

Post-Payment Audit of the Texas State Library and Archives Commission



Susan Combs
Texas Comptroller of Public Accounts

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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas State Library and Archives Commission (Commission) payroll, purchase, travel and grant 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

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.

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.

- No issues were identified.

Prompt payment and payment scheduling

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

The audit identified:

- Three purchase transactions that did not pay interest when due.

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:

- Two employees who could process and release payments through USAS without oversight.
- Two employees who could adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers without oversight.

Direct deposit authorization forms

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

The audit identified:

- Four forms where the employee/vendor did not check yes or no whether the money would be sent out of the country. The form did not adhere to the National Automated Clearing House Association rules requiring the identification of a direct deposit payment if it is an Automated Clearing House Transaction.

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 Feb. 28, 2011.

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

- Prompt payment issues.
- Control weakness over expenditure processing.

Contact:

Valerie Davis, MBA, CTPM, CTCM
512-463-4269

Contributing Auditors:

Alberto Lañas, CTP, CTPM
Ben Strauser, CTP

DETAILED FINDINGS — PURCHASE

Prompt Payment Issues

Finding

During the audit period, the Commission paid \$39.91 in prompt payment interest. In addition, we identified three purchase transactions that did not pay \$76.63 interest when due. According to the Commission, these errors were due to incorrect dates entered into USAS.

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

The Comptroller's office automatically computes any interest due under the prompt payment law. A state agency is liable for any interest that accrues on an overdue payment and shall pay the interest from funds appropriated or otherwise available to the agency with the net amount for the goods or services. See Texas Government Code Annotated, Section 2251.026 (Vernon 2008).

Recommendation/Requirement

The Commission must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the Commission must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors.

Commission Response

The invoices noted were for services performed, so we require the contract manager or the division director to approve invoices and certify that they have received the services before we process a payment. In reviewing the documentation for these payments, we noted the Accounts Payable Accountant interpreted the date the division director or contract manager approved the invoices as the date the services were received and accepted for the purpose of calculating the payment due date. As a result, we erroneously calculated the due date on these invoices.

To ensure future compliance with the Prompt Payment Law as cited above, the Accounting staff implemented a new procedure. We now send an email to the contract manager/division

DETAILED FINDINGS — PURCHASE

director requesting the approver to state the specific date the services were received and accepted. We will compare that date to the invoice date for the purposes of determining the official due date for the invoice. We believe this will ensure we accurately pay all interest due in the future.

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 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 were in effect on Jan. 1, 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.

This review identified two employees who can process and release payments through USAS, adjust payment instructions in TINS and approve paper vouchers.

The Commission received a schedule of this finding during fieldwork. The Commission stated that these two employees endeavor to carry out each financial action in a conscientious and mindful manner, being fully cognizant that it is a small office. In an effort to segregate financial responsibilities in the most above-board manner possible, the Commission has procedures to minimize these duties being performed by one person.

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.

Recommendation/Requirement

The Commission should periodically 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.

[USAS Accounting and Payment Control \(FPP B.005\)](#) discusses the following tools available in USAS so agencies can strengthen internal controls and reduce risks to state funds:

- The Commission may request that a preventative control be enforced for all of its 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 agency has six staff to perform all budget and financial tasks for the agency, including accounts receivable/accounts payable, deposits and grants management. The number of time-specific deadlines require us to have these levels of authority for a limited number of staff. Internal procedures are set up to ensure no documents are processed completely by a single employee as each batch entered is verified by another employee in the Accounting section prior to the batch being released. Internal procedures are in place to ensure transactions involving cash are never entered and released by the same employee. The agency will explore the opportunity to implement the warn notice described above to ensure a greater level of control.