

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Anna Calzada

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# Post-Payment Audit of the State Preservation Board



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# Table of Contents

## Executive Summary

Audit scope .....	i
Payroll transactions and deductions .....	i
Purchase transactions .....	i
Travel transactions .....	i
Fixed assets .....	ii
Security .....	ii
Internal control structure .....	ii
Prior post-payment audit and current audit recurring errors .....	ii

## Detailed Findings — Purchase

Duplicate Payment .....	1
-------------------------	---

## Detailed Findings — Expenditure Approvals

Control Weakness Over Expenditure Processing .....	2
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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the State Preservation Board (Board) 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 March 1, 2013, through Feb. 28, 2014, to determine compliance with applicable state laws.

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. 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, 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 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 the Board's voluntary contributions was 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:

- One duplicate payment.

## Travel transactions

Travel transactions were audited for compliance with the GAA, [Textravel](#) 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 Board'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.

- No issues were identified.

## Internal control structure

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Board placed on its accounting staff members' abilities to process expenditures. We reviewed the Board's security in USAS, USPS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on May 9, 2014.

The audit identified:

- Three employees who could process and release payments through USAS without oversight.
- Two employees who could process and release payrolls.
- One employee who could pick up warrants from the Comptroller's office and approve paper vouchers.
- Two employees 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 Board's payroll, purchase and travel transactions was concluded on Aug. 25, 2010.

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

- Control weakness over expenditure processing.

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## DETAILED FINDINGS — PURCHASE

### Duplicate Payment

#### Finding

We ran a report to identify potential duplicate payments processed by the Board for the audit period. During our review of this report, we identified one payment that was paid twice.

The Board received an invoice for services performed by a vendor in the amount of \$2,409.00. After review of the invoice, the Board concluded that a portion of the services performed by the vendor was under warranty. The Board contacted the vendor who agreed that the Board was only responsible for \$1,204.50 of the original invoice and it was processed for payment. A couple of weeks later the Board received a revised invoice for \$1,204.50 which was also paid.

The Board agreed that they processed a duplicate payment in the amount of \$1,204.50. The Board requested and received a refund from the vendor.

The Board has developed a report from their internal accounting system to help identify any future potential duplicate payments.

#### Recommendation/Requirement

The Board must strengthen its current procedures to identify duplicate invoices to avoid making a duplicate payment to a vendor. The accounting staff should ensure that invoices and payments are reconciled to prevent duplicate payments.

#### Board Response

*A report from the agency's internal accounting system has been developed to help identify potential duplicate payments in the future; however, this particular payment was issued a second time due to incorrect instructions from the end user. Accounting staff has also strengthened procedures related to the outstanding invoice tracking log.*

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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 that the Board placed on its accounting staff members' abilities to process expenditures. We reviewed the Board's security in USAS, USPS, TINS and voucher signature cards that were in effect on May 9, 2014. We did not review or test any internal or compensating controls that the Board may have relating to USAS, USPS or TINS security or internal transaction approvals.

The Board had three employees who could process and release payments through USAS without oversight, two employees who could process and release payrolls and one employee who could pick up warrants from the Comptroller's office and approve paper vouchers. Two of the employees could also adjust payment instructions in TINS and approve paper vouchers. The Board received a schedule of this finding during fieldwork.

We ran a report to see whether any of the Board's payment documents processed through USAS and USPS during the audit because of the action of only one person. The report identified eight USAS documents totaling \$94,329.67 that processed through USAS without oversight. We reviewed these documents during fieldwork and found that the payments were valid expenditures.

To reduce risk to state funds, agencies should have controls over expenditure processing that segregates 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 Board 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 Board 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 \(FPP B.005\)\*](#) about reducing risks to state funds.

## Board Response

*The agency will continue to review its internal controls over expenditure processing and segregate each task to the extent possible; however, due to the limited number of staff, complete segregation of tasks is not practicable.*

*We have been in contact with a USAS security analyst to determine the possibility of restricting entry and release for payments with Doc Types 9, 2, 1 and T only; however, agencies are currently able to restrict by Batch Type and not by Doc Type.*

*The agency routinely requests and reviews the Risky Document Report (DAFR9840) and will continue this practice. We will also monitor the daily reports DAFR2901 and DAFR2902 for batch entry and release history.*

*Cynthia Provine has been removed from the warrant pick up authorization form.*