

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Anna Calzada

Audit Report # 307-14-01  
January 27, 2015

# Post-Payment Audit of the Office of the Secretary of State



**Glenn Hegar**  
Texas Comptroller of Public Accounts

# Table of Contents

## Executive Summary

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

## Detailed Findings — Payroll

Missing Prior State Service Forms/Longevity Payment Amounts Incorrect.....	1
--	---

## Detailed Findings — Expenditure Approvals

Employee Retained Ability and Security to Expend Funds After Termination/Authority Expired.....	2
Control Weakness Over Expenditure Processing.....	4

---

# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Office of the Secretary of State (Office) 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 June 1, 2013, through May 31, 2014, to determine compliance with applicable state laws.

The Office 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. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h) (Vernon 2013), to ensure that the Office's documents comply in the future. The Office must ensure that the findings discussed in this report are resolved.

*Texas law requires the Texas Comptroller of Public Accounts (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:

- Three personnel files missing prior state service forms, resulting in two incorrect longevity payment amounts.

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.

- No issues were identified.

### Security

The audit included a security review to identify any of the Office'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 audit identified:

- One employee who retained the ability and security to expend funds after termination/authority expired.

### Internal control structure

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

The audit identified:

- One employee who could pick up warrants from the Comptroller's office and approve paper vouchers.
- One employee who could process and release payments through USAS without oversight.
- One employee who could process and release payrolls.

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

A prior post-payment audit of the Office's payroll, purchase and travel transactions was concluded on Jan. 7, 2011.

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

- Control weakness over expenditure processing.

#### Contact:

Anna Calzada  
512-463-4338

#### Contributing Auditors:

Waleska Carlin, CGAP  
Derik Montique, MBA, CFE  
Jesse Cantú, CPA

---

## DETAILED FINDINGS — PAYROLL

### Missing Prior State Service Forms/Longevity Payment Amounts Incorrect

#### Finding

In our review of the Office's payroll transactions, we identified three employees who did not have prior state service documentation in their personnel files. The employees indicated prior state employment on the application which was not verified at the time of initial employment. The Office obtained documentation of the prior state service during fieldwork and entered the dates in USPS for the affected employees. Two employees received additional state service credit and, as a result, were underpaid longevity pay. The total combined longevity payment amounts that were incorrect for the two employees was \$1,440.00, \$20.00 of which was identified within the audit sample.

Prior state service documentation is necessary to verify the employees' state service and the accuracy of longevity payments. 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](#).

The Office received the payroll schedule during the audit. The schedule is not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The Office must ensure that all prior state service is properly verified and documented for its employees. The Office must ensure that its internal operating procedures include quality control measures that will identify all prior state service indicated by a state employee. The Office should promptly correct the underpayments through a supplemental payroll. See 34 Texas Administrative Code, Section 5.40(c)(2014).

#### Office Response

*The agency agrees with finding. Agency has updated internal procedures and controls to identify all prior state service. Corrections of underpayments were made to affected employees.*

---

## DETAILED FINDINGS — EXPENDITURE APPROVALS

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

#### Finding

During the audit period, the Office did not notify the Comptroller's office about the termination of one employee designated by the Office to approve its expenditures.

The employee remained listed on the Office's voucher signature cards for 15 days after the employees' termination. The Office is required to notify the Comptroller's office within five days after termination. The Office's notification was 10 days delinquent. During those 10 days, the former employee could have approved paper vouchers submitted to the Comptroller's office, and any payment produced by a paper voucher approved by the employee's expired authority would have constituted an unapproved expenditure. See 34 Texas Administrative Code, Section 5.61 (2014).

The lack of timely notification also meant this employee retained USAS security for fifteen days after termination, so the employee could have approved electronic vouchers during that time. When an employee's 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) (2014).

According to the Office, the employee remained on the signature card and USAS security due to oversight. Any officer or employee may send the Comptroller's office notification of termination or revocation. 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 or had security revoked, and
- The notification specifies the effective date of the revocation/termination.

#### Recommendation/Requirement

The Office must enhance its controls to ensure compliance with the preceding requirements. The Office 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 and follow through with the Comptroller's office to ensure that the notification was received and the revocation occurred.

**Office Response**

*The agency agrees with finding. Agency has enhanced controls to make sure terminated employees notifications for signature cards are sent to Comptroller's office within (5 days). Steps have been included to ensure that documentation to remove security is forwarded to the Comptroller's office immediately upon employees' termination. Agency's appropriate staff follows through to verify employees' revocation has occurred.*

## Control Weakness Over Expenditure Processing

### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Office placed on its accounting staff members' abilities to process expenditures. We reviewed the Office's security in USAS, USPS, TINS and voucher signature cards that were in effect on Aug. 11, 2014. We did not review or test any internal or compensating controls that the Office may have relating to USAS, USPS or TINS security or internal transaction approvals.

The Office had one employee who could pick up warrants from the Comptroller's office and approve paper vouchers, one employee who could process and release payments through USAS without oversight, and one employee who could process and release payrolls.

We ran a report to determine whether any of the Office's payment documents processed through USAS and USPS during the audit period because of the action of only one person. There were no payments 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 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.

The Office received a schedule of this finding during fieldwork. As a result of the audit, the Office sent a request to the security group and requested changes to the user profiles of the three employees, which was completed on Aug. 18, 2014.

### Recommendation/Requirement

The Office should continue to 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 Office should conduct a periodic review of employees' user profiles and request that preventative controls 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.

### Office Response

*The agency agrees with finding. As noted agency took necessary steps during fieldwork and sent request to security group at Comptroller's office and requested changes to user profiles. This was completed on Aug. 18, 2014. Agency will continue to conduct periodic review of all employees' user profiles.*