

Fiscal Management Division
Expenditure Audit Section
Auditor: Raymond McClintock

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Post-Payment Audit of the State Securities Board



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EXECUTIVE SUMMARY

Audit scope

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

The Board received appendices with its 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 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, 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.

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 and payroll 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:

- An incorrect payment amount.

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.

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.

The audit identified:

- One employee who could adjust payment instructions in the Texas Identification Number System (TINS) and approve vouchers.

Fixed assets

The audit included a limited number 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 of the assets.

- All of the assets tested were in their intended location and properly recorded in SPA.

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 Feb. 28, 2011.

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

- Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Underpayment of Salary Amount

Finding

We identified one instance in which an hourly employee was paid an incorrect amount of wages. The employee's timesheet stated 26.75 hours; however, the hourly employee was paid 19.75 hours. The individual processing payroll at the agency did not notice the discrepancy and 19.75 hours were entered into USPS. This error resulted in an underpayment of wages to the employee of \$121.08.

During fieldwork, the Board corrected the underpayment through a supplemental payroll. We provided the agency with the schedule of the incorrect payment. The schedule is not included with this report due to confidentiality.

Recommendation/Requirement

The Board should strengthen controls to ensure calculations are reviewed on all totals that are submitted manually.

Board Response

The Agency has implemented a procedure to include a monthly calendar with the payroll back-up documentation. The monthly calendar will be used to ensure that each weekly timesheet for the month is included.

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 the Board placed on its accounting staff members' abilities to process expenditures. We reviewed the Board's security in USAS, USPS, TINS and the signature cards that was in effect on July 15, 2014. We did not review or test any internal or compensating controls that the Board may have relating to USAS, USPS or TINS security.

During the audit period, we identified one individual with the ability to adjust payment instructions in TINS and approve paper vouchers. The Board received a schedule of this finding during fieldwork.

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 approve 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 greatest extent practical to ensure that no individual is able to process payments without oversight.

Board Response

The Agency removed the employee's ability to adjust payment instructions on 7/31/14. In the future, employees that have the ability to approve vouchers will not be provided the ability to change payment instructions.