

Fiscal Management Division
Expenditure Audit Section
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Post-Payment Audit of the Texas Commission on the Arts



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Commission on the Arts (Commission) 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 Commission 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 Commission should implement the recommendations listed in the Detailed Findings of this report. 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 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 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:

- Longevity underpayment.

A limited sample of voluntary deductions 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.

The audit identified:

- No procurement plan on file with the Texas Procurement and Support Services (TPASS).

Travel transactions

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

The audit identified:

- Missing proof of payment.

Grant transactions

The audit included a limited review of the Commission's transactions relating to grant payments. This review consisted of verifying that the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of the Commission's procedures for awarding the grants or monitoring payments made to grantees; therefore, we are not offering an opinion on those procedures.

- No issues were identified.

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.
- Two employees who could pick up warrants from the Comptroller's office and approve paper vouchers.
- Two employees who could process and release payrolls.

Fixed assets

The audit included a limited review of fixed assets acquired by the Commission 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 tagged and in their intended locations and properly recorded in SPA.

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. 23, 2011.

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

- Control weakness over expenditure processing.
- Longevity underpayment.

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DETAILED FINDINGS — PURCHASE

Missing Procurement Plan

Finding

TPASS requires each agency to formulate an agency procurement plan that identifies an agency's management controls and purchasing oversight authority. A procurement plan must be on file at TPASS and updates must be submitted as necessary. If the plan has no updates in a fiscal year, a letter must be sent to indicate there are "no changes." Procurement plan submittals or "no change" letters are due to TPASS each year by Nov. 30 as required by section 1.3 of the [State of Texas Procurement Manual](#).

The Commission stated that it did submit its procurement plan to TPASS; however, TPASS did not have any record of receiving it.

Recommendation/Requirement

The Commission must ensure its procurement plan is on file with TPASS each year by Nov. 30.

Commission Response

The Commission has a current Procurement Plan and provided the document to the auditors immediately upon the initial request. The Commission will ensure the plan is submitted to TPASS by November 30th of each year as required by section 1.3 of the Procurement Manual.

DETAILED FINDINGS — PAYROLL

Longevity Underpayment

Finding

We identified additional state service time for three employees as a result of reviewing their personnel files. The additional state service resulted in a total underpayment of longevity pay in the amount of \$1,760.00, \$160.00 of which occurred during the sample period.

When an agency hires an employee, the agency must research if the employee has previous state employment. If there is prior state employment, the agency must confirm the amount of lifetime service credit, and compute the correct amount of longevity pay entitlement. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

The Commission has procedures in place to obtain prior state service verification for its employees, which include a thorough review of the personnel file. These procedures were not in place at the time these employees were hired.

The Commission received the payroll schedules during the audit. The schedules are not included with this report due to confidentiality issues.

Recommendation/Requirement

The Commission must ensure its procedures are followed so any prior state service is properly verified and documented for its employees.

Commission Response

The Commission will ensure procedures are followed so all prior state service is properly verified and documented for new hires.

DETAILED FINDINGS — TRAVEL

Missing Proof of Payment

Finding

We identified eight travel vouchers where the lodging receipt did not indicate that the employee paid the balance. The Commission did not notice the outstanding balance in reviewing the receipt. Without proper payment documentation, we could not determine whether the payment was an accurate reflection of the expense incurred by the traveler. The Commission obtained the receipts during the fieldwork portion of the audit and verified that the reimbursements were correct.

For a state employee to be reimbursed for a lodging expense and related tax, the employee must provide proof of payment. See [Texttravel – Lodging receipt requirements](#).

Recommendation/Requirement

The Commission must ensure that employees' lodging receipts show adequate payment documentation prior to reimbursement.

Commission Response

The Commission will process employees' lodging expense reimbursements only upon securing a zero-balance receipt.

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 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.

Two Commission employees could process and release payments through USAS without oversight, two employees could process and release payrolls, and two employees 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 Commission received a schedule of this finding during fieldwork.

We ran a report to see whether any of the Commission's payment documents processed through USAS or USPS during the audit because of the action of only one person. The report identified one USPS document totaling \$72,015.91 that processed through USPS without oversight. We reviewed this document during fieldwork and found that the payments were valid expenditures.

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 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 Commission should 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. See [*USAS Accounting and Payment Control \(B.005\)*](#) about reducing risks to state funds.

Commission Response

As a small agency, the Commission continues to segregate tasks to the greatest extent feasible, ensuring that no individual processes payments without oversight in almost all cases. The transaction in question is a lone exceptional instance in which payroll was processed without oversight only due to a host of extenuating circumstances that have been communicated previously to the audit team. Given its staffing limitations, the Commission is concerned that implementing the suggested preventative control would disrupt the most critical of agency operations, including payroll, in the event of unexpected staff absences, turnover, business travel, etc. The Commission will continue to evaluate its processes to segregate duties and implement controls where possible.