

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Eunice Miranda

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# Post-Payment Audit of the Commission on State Emergency Communications



**Glenn Hegar**  
Texas Comptroller of Public Accounts

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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Commission on State Emergency Communications (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 Dec. 1, 2013, through Nov. 30, 2014, to determine compliance with applicable state laws.

The Commission receives appendices with its full report that includes 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), to ensure that Commission's documents comply in the future. The Commission 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.

- No issues were identified.

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:

- Missing documentation of posting on the Electronic State Business Daily (ESBD).

## Travel transactions

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

The audit identified:

- A lack of conservation of state funds.
- Incorrect travel reimbursement.
- Gratuity not payable.

## 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 review 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 can pick up warrants from the Comptroller's office and approve paper vouchers.
- Two employees who can 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 finding

A prior post-payment audit of the Commission's payroll, purchase and travel transactions was concluded on May 13, 2011.

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

- Control weakness over expenditure processing.

**Contact:**  
Eunice Miranda  
512-463-2738

**Contributing Auditor:**  
Waleska Carlin, CGAP

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## DETAILED FINDINGS — PURCHASE

### Missing Documentation of Posting on the Electronic State Business Daily (ESBD)

#### Finding

The Commission did not meet the solicitation advertisement requirements for one contract for audit services that exceeded \$25,000. The procurement file did not contain proof or verification of the posting on the ESBD for a contract over \$25,000.

Texas Procurement and Support Services (TPASS) requires each agency to post notices for all solicitations expected to exceed \$25,000 on ESBD. State agencies are required to advertise a complete solicitation package (including all parts, exhibits and attachments) for a minimum of 14 days, 21 days for procurement where the entire solicitation package cannot be posted if it is very lengthy or complex.

In accordance with Texas Government Code, Section 2155.083 and 34 Texas Administrative Code, Section 20.212, the requirement to advertise solicitations by posting on the ESBD applies to all purchases exceeding \$25,000 regardless of source of funds used for procurement. This requirement includes delegated purchases, emergency purchases, construction projects, professional or consulting services, proprietary purchases or purchases exempt from TPASS's purchasing authority.

The Commission stated that it was not able to locate documentation supporting the ESBD posting for the audit services contract and TPASS has no record of it.

#### Recommendation/Requirement

The Commission must strengthen its controls to ensure that any contract over \$25,000 is posted for the proper duration. Failure to post a qualifying purchase for the mandatory duration of time could void the entire contract.

Supporting documentation for a purchase must be made available in an audit to justify the validity of the payment. The Commission must ensure it retains adequate supporting documentation for all expenditures prior to processing the payment.

#### Commission Response

*The agency hired a Contract Administrator in June 2012, after this procurement, and has revised its contract and procurement controls, processes, procedures and documentation retention.*

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## DETAILED FINDINGS — TRAVEL

### Lack of Conservation of State Funds

#### Finding

We identified one instance where the Commission reimbursed a traveler for mileage from operating a personally owned vehicle while conducting official business. However, based on the applicable car rental rates, related tax, cost of gas and the standard mileage rates in effect at the time of travel, we determined that it was more cost effective for the state if the traveler used a rental vehicle instead of a personally owned vehicle. The Commission did not have policies and procedures in place that require employees to prepare a cost comparison between using a rental car versus personal vehicle prior to travel.

According to Texas Government Code, Section 660.007(a), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. The agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances.

#### Recommendation/Requirement

The Commission must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. During our audit, the Commission was in the process of updating its policies and procedures in order to implement a cost analysis policy to ensure it uses the most cost efficient method of travel.

#### Commission Response

*The agency will implement completing the cost comparison between using a rental car versus personal vehicle process as part of the travel authorization process by Sept. 1, 2015.*

## Incorrect Travel Reimbursement

### Finding

We identified one instance of an incorrect travel reimbursement. The traveler was reimbursed \$647.01, but should have been reimbursed \$617.01. This was due to an incorrect calculation within the travel voucher.

The Commission did not detect the error when processing the travel reimbursement.

### Recommendation/Requirement

The Commission should caution its employees and approval staff to verify all totals that are submitted manually.

The Commission must obtain a reimbursement from the employee unless it determines it is not cost effective to do so.

### Commission Response

*The agency determined it is not cost effective to obtain reimbursement of this single incorrect calculation.*

*Staff travel training and a checklist are being developed that will include the verification of totals. Training of staff who travel will be conducted by Aug. 31, 2015.*

## Gratuity Not Payable

### Finding

We identified one travel transaction that reimbursed an employee for transportation expenses that included gratuity. The Commission's policies and procedures do not allow for the reimbursement of gratuities. The Commission indicated that the error was not identified during the review process due to oversight.

Texas Constitution, Article III, Section 51, prohibits the giving away of the state's money for private purposes. The payment of gratuity is a violation of this section.

### Recommendation/Requirement

The Commission must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to payment.

The Commission must obtain a reimbursement from the employee unless it determines it is not cost effective to do so.

### Commission Response

*The agency determined it is not cost effective to obtain reimbursement of this reimbursement error.*

*Staff travel training and a checklist are being developed that will include the verification of totals. Training of staff who travel will be conducted by Aug. 31, 2015.*

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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 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.

The Commission had two employees who:

- Could process and release payments through USAS without oversight.
- Could process and release payrolls.
- Could pick up warrants from the Comptroller's office and approve paper vouchers.
- Could 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 and USPS during the audit because of the action of only one person. The report identified one USAS document totaling \$69.10 that processed through USAS without oversight. We reviewed this document during fieldwork and found the payment was a valid expenditure.

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 state governmental accounting 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 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.

#### Commission Response

*The agency has set the USAS controls to warn the user that they are releasing their own entries or changes. Due to the small number of qualified staff, the agency must keep the ability to have the same person enter and release an entry in the event of critical payment circumstances.*

**Comptroller Response**

The actions that the Commission states above may assist by making employees aware of the control issue identified, but will not provide the Commission any assurance that employees are prevented from processing payments without oversight.