

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Waleska Carlin

Audit Report # 359-14-01  
July 10, 2015

# Post-Payment Audit of the Office of Public Insurance Counsel



**Glenn Hegar**  
Texas Comptroller of Public Accounts

# Table of Contents

## Executive Summary

Audit scope .....	i
Payroll transactions .....	i
Purchase transactions .....	i
Travel transactions.....	i
Expenditure approvals and certification.....	ii
Internal control structure .....	ii
Direct deposit authorization forms .....	ii
Prior post-payment audit and current audit recurring finding.....	iii

## Detailed Findings — Procurement

Missing Procurement Plan.....	1
-------------------------------	---

## Detailed Findings — Travel

Missing Documentation .....	2
-----------------------------	---

## Detailed Findings — Expenditure Approvals

Expenditure Approvals and Certification .....	3
Internal Control Structure .....	4

---

# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Office of Public Insurance Counsel (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 Sept. 1, 2013, through Aug. 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. The Office should implement the recommendations and resolve the findings listed in the Detailed Findings section 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 the Office's documents comply in the future.

*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

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.

## 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:

- A missing procurement plan.

## Travel transactions

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

The audit identified:

- Missing documentation.

## Expenditure approvals and certification

The audit included a review of the expenditure approvals and certification process of the Office. The review identifies employees with security access in USAS, USPS or listed on the voucher signature cards and that are authorized to approve and release expenditures on behalf of the agency.

The review identified:

- One employee who retained security access and the authority to approve and release expenditures after termination of employment.

## Internal control structure

The Office's internal control structure was reviewed. The review was limited to obtaining an understanding of the Office's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The review identified one employee who has the ability to perform the following:

- Process and release payments in USAS and USPS without oversight,
- Adjust payment instructions in the Texas Identification Number System (TINS),
- Approve paper vouchers and
- Pick up payment warrants from the Comptroller's office.

## Direct deposit authorization forms

We reviewed direct deposit authorization forms to determine compliance with the guidelines established by the National Automated Clearing House Association. The direct deposit authorization forms are used by state agencies to set up employees to receive direct deposit payments from the state of Texas or to change/cancel existing direct deposit information.

The review identified:

- Three employees who were set up to receive direct deposit payments but who did not indicate whether or not the direct deposit payments are international transactions on the form.
- One employee who was set up to receive direct deposit payments without completing the direct deposit authorization form.

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

A prior post-payment audit of the Office's payroll, purchase and travel transactions was concluded on June 30, 2011.

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

- Control weakness over expenditure processing.

**Contact:**

Waleska Carlin, CGAP  
512-463-4487

**Contributing Auditors:**

Anna Calzada  
Gerard Edimo, MBA  
Lisa Turner

---

## DETAILED FINDINGS — PROCUREMENT

### Missing Procurement Plan

#### Finding

The Office did not submit its State Agency Annual Procurement Plan (Plan) for fiscal 2014 to the Texas Procurement and Support Services (TPASS) by the established deadline.

The Plan identifies an agency's management controls and purchasing oversight authority in accordance with the policy guidance contained in the [State of Texas Procurement Manual](#). The Plans are to be submitted electronically to TPASS by Nov. 30 each year.

The Office stated this was an oversight and it has recently submitted its fiscal 2014 Plan to TPASS.

*“State agencies shall formulate an agency procurement plan that identifies an agency’s management controls and purchasing oversight authority in accordance with the policy guidance contained in the Commission’s Procurement Manual. An agency must submit a copy of the procurement plan during the Commission’s audit of the agency’s purchasing documents or upon request by the Commission.”* See Title 34 Texas Administrative Code, Section 20.41(h).

State agencies are required to send a letter to TPASS when no updates to the plan are needed in a fiscal year. Procurement plan submittals or “no change” letters are due to TPASS by Nov. 30 each year. See *State of Texas Procurement Manual*, Section 1.3.

#### Recommendation/Requirement

The Office must update its procurement procedures to ensure its procurement plan or any changes to the plan are submitted to TPASS by Nov. 30 each year.

#### Office Response

*As noted above, the missed filing date was an oversight by the agency. To prevent this from occurring in the future, the due date will be noted on the office calendar so that the responsible personnel will be aware of the deadline and file the Plan timely. We note that no purchasing irregularities were revealed in the audit.*

---

## DETAILED FINDINGS — TRAVEL

### Missing Documentation

#### Finding

We identified a credit card payment for an air transportation expense that did not include documentation to support the travel expense. The Office provided documentation that supported an air travel reservation made for the employee, but the agency did not obtain an airfare receipt from the airline to support the amount paid. The Office stated this was an oversight.

Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the intended purchases made. Proper documentation must be maintained to verify that payments are valid and to ensure a proper audit trail.

*“Supporting documentation must be sufficient to detail the expenses claimed. Supporting documentation requirements apply to a travel expense that is paid directly and to a travel expense reimbursement made by an agency.”* See 34 Texas Administrative Code, Section 5.22.

#### Recommendation/Requirement

The Office must obtain proper documentation for travel expenses prior to processing any payment. The supporting documentation must be maintained in agency files at least until the end of the second appropriation year after the appropriation year in which the document is processed through USAS.

#### Office Response

*The agency agrees that the best practice would be to include the airline or travel agency receipt with both the agency credit card billing documentation and any travel voucher submitted for reimbursement. As such, the agency will do so for all future air travel.*

---

## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Expenditure Approvals and Certification

#### Finding

The Office failed to notify the Comptroller's office of one employee's termination date; therefore, the employee's security access to the accounting systems was not revoked until recently discovered by the auditors. Failure to timely revoke security access in the accounting systems could result in unauthorized expenditures. The Office stated this was an oversight.

There were no transactions processed by the former employee after the employee's termination date.

*“When an individual terminates employment with a state agency, the individual's designation to approve the agency's payments and USPS or SPRS [Standardized Payroll/Personnel Reporting System] documents ends on the effective date of the termination. Any officer or employee of the agency may notify the comptroller about the termination. Regardless of who provides the notification, the agency must ensure that the comptroller receives it not later than the fifth day after the effective date of the termination.”* See Title 34 Texas Administrative Code, Section 5.61.

#### Recommendation/Requirement

The Office should develop procedures to ensure compliance with USAS and USPS security procedures. The Office should review employees' security access to the statewide financial systems on a regular basis to verify the accounts are adequately maintained.

The Office must notify the Comptroller's office in writing when employees with security access to the statewide financial systems terminate employment with the agency within five days of the effective date of termination.

#### Office Response

*As noted above, this was an oversight. To avoid this in the future, we will add a certification to the agency checklist for exiting employees to make sure that all persons who leave employment have access to accounting systems revoked if applicable.*

## Internal Control Structure

### Finding

As part of our planning process for the post-payment audit, we reviewed the expenditure process and certain limitations that the Office placed on its employees' abilities to process expenditures.

The review did not identify any expenditure processed without oversight at the Office; however, the review identified a risk associated to the expenditure process at the Office, due to an employee having the ability to perform the following:

- Process and release payments in USAS and USPS,
- Adjust payment instructions in TINS,
- Approve paper vouchers and
- Pick up payment warrants from the Comptroller's office.

This condition will continue to be a recurring audit finding for the Office due to the size and structure of the agency. However, the Office has implemented controls to help reduce the risk associated with this audit finding and ensure that each task associated with the expenditure process is segregated. The Office currently has an employee who is responsible for entering the payments into the systems, and another employee is limited to releasing the payments.

*“To reduce risks to state funds, agencies should have controls over expenditure processing that segregate accounting tasks so no one person can enter or alter and then release payments or other accounting transactions within the statewide fiscal systems.” See [USAS Accounting and Payment Control \(FPP B.005\)](#)*

### Recommendation/Requirement

The Office should continue to monitor its internal controls to ensure that each task associated with the expenditure process is segregated.

### Office Response

*The finding above correctly states and details the internal control structure used by the agency. The agency agrees with the recommendation to continue to monitor its internal controls over the expenditure process.*