

Fiscal Management Division
Expenditure Audit Section
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Post-Payment Audit of the Department of Assistive and Rehabilitative Services



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Department of Assistive and Rehabilitative Services (Department) payroll, purchase, travel and grant transactions that processed through the Uniform Statewide Accounting System (USAS) and the Standardized Payroll/Personnel Reporting System (SPRS) during the period beginning Sept. 1, 2013, through Aug. 31, 2014, to determine compliance with applicable state laws.

The Department 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 Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department'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), to ensure that the Department's documents comply in the future. The Department 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 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:

- Missing verification of prior state service.
- Incorrect longevity payment amount.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase/procurement 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.

The audit identified:

- Lack of conservation of state funds.
- Excessive reimbursement / prior approval to exceed locality rate for lodging not obtained.
- Expense not payable.
- Irrecoverable balance in travel advance account.

Grant transactions

The audit included a limited review of the Department's grant payments as authorized by law. 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 Department'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.

Security

The audit included a security review to identify any of the Department's employees with security in USAS, SPRS, the Texas Identification Number System (TINS) 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 review identified:

- Three employees who retained the ability to expend funds after termination.
- Three employees who retained the security to expend funds after authority expired.

Internal control structure

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

The review identified:

- One employee who can pick up warrants from the Comptroller's office and approve paper vouchers.

Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the Department's internal system. The disposed assets report listed two assets as missing with a net book value of \$511.18.

- All assets reviewed were in their intended location and properly tagged.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Department's payroll transactions was concluded on June 12, 2011.

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

- Incorrect longevity payment amount.

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DETAILED FINDINGS — PAYROLL

Missing Prior State Service Documentation/Incorrect Longevity Payment Amount

Finding

Five personnel files were missing prior state service documentation necessary to verify the employees' state service and the accuracy of the longevity payments.

Because of the audit, the Department requested and obtained the prior state service verification documentation. The prior state service for four employees matched the data in USPS; therefore, the longevity amounts were correct. However, one employee reported additional service on her job application that was not entered in USPS. This resulted in an underpayment of longevity pay of \$80.00 during her employment at the Department. The total error amount occurred during the audit period. The Department compensated the employee for the underpaid amount in November and adjusted the employee's records to reflect the additional service credit.

According to the Department, its policy is to verify total state service in order to accurately calculate longevity payments. However, the Department did not follow its procedures in this instance.

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 may require the documentation be made available during a post-payment audit, a pre-payment audit, or at any other time. See [Payroll Resource – Required Documentation](#).

We provided the Department with schedules of the missing documentation and the calculation of the longevity underpayment amount. The schedules are not included with this report due to the inclusion of confidential information.

Recommendation/Requirement

The Department should verify all information in the personnel files to ensure that documentation of prior state service is obtained for its employees. In addition, the Department should review each employee's job application and/or résumé for prior state service for all current and new employees.

Department Response

The business process is the Health and Human Services (HHS) Service Center receives prior state service forms from agencies where an employee reports they previously worked and ensures that the information is properly entered into the HHS Centralized Accounting and Payroll/Personnel System (CAPPS). If an employee reports that his/her prior state service record in the CAPPS system is either incomplete or incorrect during his/her HHS employment, research is conducted to determine the appropriate resolution, up to and including correcting the employee's prior state service history in the CAPPS system and processing additional pay as appropriate. Prior state service information entered into the CAPPS system is initially dependent on employees self-reporting their prior state service verbally and by completing their State of Texas application. The HHS Human Resource Department is then responsible for providing oversight of the HHS Service Center to ensure the information is entered timely and accurately.

DETAILED FINDINGS — TRAVEL

Lack of Conservation of State Funds

Finding

We identified nine instances where the Department reimbursed travelers for mileage incurred while operating personal vehicles to conduct official state business. Based on the applicable car rental rates, related taxes, cost of gasoline and the standard mileage rates in effect at the time of travel, we estimated it would have been more cost beneficial to the state if the travelers had used rental vehicles instead of their personal vehicles.

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. Similarly, supporting documentation must be made available to the Comptroller's office in the manner required by the Comptroller's office. See Texas Administrative Code, Title 34, Section 5.51(e)(2)-(3).

The Department's procedures do not require travelers to prepare a cost comparison of rental car versus the use of a personal vehicle prior to travel.

Recommendation/Requirement

The Department must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible considering all relevant circumstances.

The Department should prepare a cost comparison analysis before each trip showing the cost of using a rental car versus that of using a personal vehicle to ensure the most cost-efficient alternative is used.

Department Response

DARS agrees that a comparison of rental car cost versus the use of a personal vehicle is helpful in determining the most cost-effective solution. The DARS accounting office is in the process of revising its travel policy to ensure this comparison is completed prior to travel. The policy is anticipated to be effective no later than Dec. 31, 2015.

Excessive Reimbursement/Prior Approval to Exceed Locality Rate for Lodging Not Obtained

Finding

We identified three travel payments for lodging expenses that exceeded the allowable limit for the location based on the United States' General Services Administration (GSA) rates.

The total amount claimed in excess of the GSA rates for the three employees totaled \$490.00. Lodging rates in parts of Texas are higher than the GSA rates. The agency head or designee of the agency head may determine that local conditions necessitate an increase in the lodging rate for a particular location. When an employee fails to obtain prior authorization, the employee may not exceed the GSA rates for the locality.

In these instances, the employees requested and obtained approval for actual expenses after the conclusion of travel. Texas Government Code, Section 660.208, requires that the authorization contain an estimate of the approximate cost of the travel and must be authorized prior to the trip, which, in these cases, was not done.

The Department stated these errors occurred due to oversight.

Recommendation/Requirement

We recommend that if circumstances necessitate an increase in the lodging rate for a particular location, the Department take steps to ensure any approval contain an estimate of total travel costs and that approval by the head of the agency be obtained prior to travel.

Department Response

The DARS accounting office will ensure that travelers and administrative support staff are aware of this requirement by revising its on-line travel training module no later than Dec 31, 2015, to reinforce the requirement to obtain prior approval.

Expense Not Payable

Finding

In a report generated outside our travel sample, we identified two travel transactions paid to an individual who was not an employee. The individual was working as an intern at the Department at the time of travel.

The Department stated the travel was reimbursed to the individual as a result of oversight.

Recommendation/Requirement

If the Department intends to reimburse travel expenses for interns, it should amend its internship agreement to include reimbursement of travel expenses.

Department Response

DARS will evaluate the need to reimburse interns and amend the intern agreement to allow reimbursement for approved work-related expenses. In addition, travel staff have enhanced its auditing procedures to ensure payees are DARS employees.

Irrecoverable Balance in Travel Advance Account

Finding

The Department has an irrecoverable balance in its travel advance account. According to the Department, an outstanding irrecoverable balance exists on this account due to unsettled travel advances by former employees.

See [Travel Advance Account and Petty Cash Account \(APS 010\) \(FPP A.044\)](#) for the Comptroller's office requirements related to reimbursement of lost, stolen or missing travel advance funds.

Recommendation/Requirement

The Department should exhaust all collection efforts with the former employees.

If it is determined that the irrecoverable balance should be written off, the Department must notify the State Auditor's Office (SAO) of the loss and the circumstances surrounding the loss and obtain a certification from the SAO. After receiving the certification from the SAO, the Department should contact its appropriation control officer at the Comptroller's office to write off the irrecoverable balance as a bad debt expense and coordinate efforts to make the correction to the travel advance account.

The Department must report to the Comptroller's office those individuals responsible for the irrecoverable balances as indebted to the state. See Texas Government Code, Section 403.055(f).

Department Response

DARS management is aware of the outstanding travel advance balance resulting from significant staff turnover and the lack of timely reconciliations. Management has been working diligently with staff to resolve all outstanding items and has made significant progress since the conclusion of this audit. DARS is also completing reconciliations monthly. Any unresolved balances will be addressed in accordance with Comptroller guidelines.

DETAILED FINDINGS — SECURITY

Employees Retained Security to Expend Funds After Authority Expired

Finding

During the audit period, the Department failed to submit a request to remove three employees' security in USAS to electronically approve the Department's expenditures on or before the effective date of the employees' revocation. The security requests were sent two days late for two employees and five days late for the other employee. This permitted the employees to approve any vouchers that the Department submitted electronically to the Comptroller through USAS after the employee's authority expired. Any payment produced by a document that was approved by an employee whose security has been revoked would have constituted an unapproved expenditure. We ran a report and determined that no unapproved documents were processed during the audit period.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's 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).

The Department has procedures to notify the security coordinator of personnel actions. In these instances, the request to remove the employees' security was delayed due to the Department's oversight.

Recommendation/Requirement

The Department must ensure compliance with the preceding requirements.

It must also ensure that the person responsible for sending these notifications to the Comptroller's office is aware of the designated employees' terminations on or before the dates the revocations become effective and follows through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Department Response

DARS corrected the findings during the audit and has adopted additional controls to avoid similar issues in the future.

Employees Retained Ability to Expend Funds After Termination

Finding

During the audit period, the Department failed to timely notify the Comptroller's office about the termination of three employees who had been designated by the Department to approve its expenditures. The requests to remove the employees from the signature card were sent 1,261 days late for one employee, 376 days late for another employee and seven days late for the third employee. This means that the former employees could have approved paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. We researched our archived files and determined no unapproved documents were processed during the audit period.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification.

See 34 Texas Administrative Code, Section 5.61(k)(3)(B).

The Department has procedures to notify the security coordinator of personnel actions. In these instances, the security coordinator did not follow procedures.

Recommendation/Requirement

The Department must ensure compliance with the preceding requirements.

It must also ensure that the person responsible for sending these notifications to the Comptroller's office is aware of the designated employees' terminations on or before the date the terminations become effective and follows through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Department Response

DARS corrected the findings during the audit and has adopted additional controls to avoid similar issues in the future.

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 Department placed on its accounting staff members' abilities to process expenditures. We reviewed the Department's security in USAS, SPRS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on Oct. 16, 2014.

One employee can pick up warrants from the Comptroller's office and approve paper vouchers. The Department was provided with a schedule of this finding during fieldwork.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.

Recommendation/Requirement

The Department should periodically 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.

Department Response

DARS corrected the findings during the audit and has adopted additional controls to avoid similar issues in the future. In addition, periodic reviews will be conducted to ensure future compliance.