

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Aleks Nećak

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# Post-Payment Audit of the Texas Facilities Commission



**Glenn Hegar**  
Texas Comptroller of Public Accounts

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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas Facilities Commission (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 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 the attached 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 Annotated 403.071(h), 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 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:

- Insufficient Human Resource (HR) process and documentation.

Several HR files selected for payroll review did not contain all of the necessary documentation. We were told the Commission was in process of revising its HR files after the audit commenced. The Commission stated it was aware that both its personnel files and HR process were in need of improvement and had already begun correcting them by updating and completing its personnel files to meet audit requirements. Because this process resumed after the conclusion of our initial field testing, we were unable to issue an opinion on the completeness of the reviewed HR files.

In April 2015, the Commission's Office of Internal Audit issued a report titled *Review of Human Resources Management*, stating: "Texas Facilities Commission's (Commission) processes do not provide reasonable assurances that human resources management goals are accomplished effectively and efficiently and in a manner that complies with federal and state laws, agency policies and procedures. Over the last few years, the Human Resources Program (Human Resources) has lacked the continuity in leadership (and staff) to provide the agency with sustained, strategic and proactive guidance in personnel matters."

## Purchase and refund of revenue transactions

Purchase and refund of revenue transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Purchase order (PO) created after invoice.

In September 2014, the State Auditor's Office (SAO) issued an audit report titled *Selected Contracts at the Texas Facilities Commission*, SAO Audit #15-001. According to the report, the Commission did not sufficiently monitor the Tarantino Properties, Inc. performance related to the maintenance and repair of four buildings the contractor manages outside of Austin. SAO also stated that in the case of the contract with Spaw Glass Contractors, Inc., the Commission and both contractors could not provide documentation showing that criminal background checks were performed for contractor or subcontractor employees as required by the contract. Because SAO already performed this review, our audit did not focus on re-auditing these types of issues.

## Travel transactions

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

The audit identified:

- Missing proof of payment.
- Violations of warrant hold statutes.

## Fixed Assets

The audit included a limited review of 10 fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify existence of the asset.

- 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:

- One employee who had the ability to process and release payments through USAS.

## Direct deposit authorization forms

A review was conducted of the Commission's procedure to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The review identified:

- Four vendors who did not have the updated direct deposit authorization form featuring the International Payments Verification section as required by the National Automated Clearing House Association rules; another vendor had a correct form but the above-mentioned section was not properly completed.

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

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

During the current audit, we did not identify any recurring findings.

**Contact:**

Aleks Nećak, CTP  
512-936-4450

**Contributing Auditors:**

Bill Hornstein, MBA, CTP  
Raymond McClintock

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## DETAILED FINDINGS — PURCHASE

### Purchase Order Created After Invoice

#### Finding

We identified one purchase transaction where the Commission created a purchase order (PO) after the invoice was received. The Commission stated that it was an oversight.

With no PO created at the time the goods were ordered, it was difficult for the Commission to ensure it was not overcharged or billed for goods or services beyond those the Commission agreed to purchase.

According to 34 Texas Administrative Code, Section 5.51(c)(1)(D), it is the responsibility of the state agency and its officers to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.”

#### Recommendation/Requirement

While a formal purchase order is not always required, documentation of the agreement must be prepared at the time the goods or services are ordered from the vendor. Once the Commission has made a final approved agreement with the vendor, the Commission may not pay any amount in excess of the agreed-upon amount unless the agreement is amended due to the vendor providing a new benefit, i.e., consideration, to the Commission.

#### Commission Response

*The Texas Facilities Commission is committed to ‘best practices’ in its business and administrative functions. Procedures have been enhanced to reduce or eliminate any oversights or errors in the areas cited above by this audit. The Commission agrees with this finding and appreciates the audit’s recommendations.*

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## DETAILED FINDINGS — TRAVEL

### Missing Proof of Payment

#### Finding

We identified one travel voucher where the lodging receipt did not indicate 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. According to the Commission, it was an oversight.

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. The Commission should obtain an updated receipt from the lodging vendor reflecting zero balance for the travel voucher unless the Commission determines it is not cost effective to do so. The Commission must ensure that all travel reimbursements are properly reviewed at the time of payment to ensure compliance with all applicable regulations and limitations.

#### Commission Response

*The Texas Facilities Commission is committed to 'best practices' in its business and administrative functions. Procedures have been enhanced to reduce or eliminate any oversights or errors in the areas cited above by this audit. The Commission agrees with this finding and appreciates the audit's recommendations.*

## Violations of Warrant Hold Statutes

### Finding

The Commission does not determine whether employees are indebted to the state or on warrant hold before making travel advances.

A state agency may not pay vendors or reimburse an officer or employee from petty cash, local funds and/or travel advances for a purchase if a payment is prohibited by warrant hold statute. See 34 Texas Administrative Code, Section 5.57(g)(6). The warrant hold statutes are:

- Texas Education Code, Sections 57.48, 57.482,
- Texas Family Code, Section 231.007 and
- Texas Government Code Section 403.055, Section 2107.008.

USAS automatically checks vendor warrant hold status for payments processed through the system. It is the Commission's responsibility to check vendors, officers and employees that are not paid directly through USAS before issuing travel advances or vendor payments.

### Recommendation/Requirement

The Commission must develop procedures to verify warrant hold status before making payments from travel advance or petty cash accounts.

See [Verifying Vendor Hold Status \(FPP K.012\)](#).

### Commission Response

*The Texas Facilities Commission is committed to 'best practices' in its business and administrative functions. Procedures have been enhanced to reduce or eliminate any oversights or errors in the areas cited above by this audit. The Commission agrees with this finding and appreciates the audit's recommendations.*

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## DETAILED FINDINGS — DIRECT DEPOSIT AUTHORIZATION FORM

### Incorrect Direct Deposit Authorization Form

#### Finding

We conducted a review of the Commission's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally. Of the ten vendors selected and reviewed, four did not have a correct direct deposit form on file while another vendor's form was not properly completed. Without a current and properly completed form on file, the Commission was unable to indicate whether state funds were forwarded to a financial institution outside the United States.

International ACH (Automated Clearing House) transactions (IATs) are destined for a financial institution outside of the territory of the United States. Because of federal requirements mandated by the Office of Foreign Assets Control (OFAC), the National Automated Clearing House Association (NACHA) has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid potential federal penalties, each state agency must:

- Be able to show due diligence in the processing of all direct deposit payments.
- Do its best to ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside the U.S.

According to the Commission, failing to review the direct deposit forms was an oversight due to a lack of understanding of the federal requirement. During fieldwork, the Commission contacted all five vendors; it obtained properly completed forms from three vendors; two vendors were no longer with the agency.

#### Recommendation/Requirement

The Commission must ensure that all payees that request payment by direct deposit provide the appropriate direct deposit authorization form, with the IAT question answered and the form signed. A direct deposit authorization form should not be processed if the IAT section is left blank or the form is unsigned.

#### Commission Response

*The Texas Facilities Commission is committed to 'best practices' in its business and administrative functions. Procedures have been enhanced to reduce or eliminate any oversights or errors in the areas cited above by this audit. The Commission agrees with this finding and appreciates the audit's recommendations.*

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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 reviewed the Commission's security in USAS, USPS and the Texas Identification Number System (TINS) and its voucher signature cards that were in effect on Oct. 14, 2014. 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 audit identified:

- One employee who had the ability to process and release payments through USAS.

The Commission stated that it was not sure how this situation occurred because it thought that any employee with multiple abilities to process and release payments had already been addressed.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates 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.

We ran a report to determine whether any of the Commission's payment documents processed through USAS and USPS during the audit period because of the action of only one individual. The report did not indicate any documents had processed without electronic oversight.

#### Recommendation/Requirement

The Commission should periodically review its controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

According to [\*USAS Accounting and Payment Control \(FPP B.005\)\*](#), the following tools are available in USAS for agencies to strengthen internal controls and reduce risks to state funds.

We recommend that the Commission request 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, or warn when this is about to occur.

**Commission Response**

*The Texas Facilities Commission is committed to 'best practices' in its business and administrative functions. Procedures have been enhanced to reduce or eliminate any oversights or errors in the areas cited above by this audit. The Commission agrees with this finding and appreciates the audit's recommendations.*