

Fiscal Management Division
Expenditure Audit Section
Auditor: Bill Hornstein

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Post-Payment Audit of the Texas Medical Board



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Table of Contents

Executive Summary

Audit scope.....	i
Payroll transactions and payroll deductions	i
Purchase transactions	i
Travel transactions.....	ii
Prompt payment and payment scheduling.....	ii
Internal control structure	ii
Miscellaneous transactions	ii
Fixed assets.....	iii
Prior post-payment audit and current audit recurring findings	iii

Detailed Findings — Purchase

Duplicate Payments.....	1
Purchase Order Created After Invoice.....	2

Detailed Findings — Travel

Lack of Conservation of State Funds	3
---	---

Detailed Findings — Prompt Payment

Prompt Payment and Payment Scheduling Issues.....	4
---	---

Detailed Findings — Expenditure Approvals

Control Weakness Over Expenditure Processing.....	6
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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Medical Board (Board) 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 Board 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 Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Board's documents comply in the future. The Board 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. A limited sample of voluntary contributions 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:

- Three duplicate payments.
- One purchase order created after the invoice was received.

Travel transactions

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

The audit identified:

- Ten payments which did not conserve state funds.

Prompt payment and payment scheduling

We audited the Board's compliance with prompt payment and payment scheduling rules.

The audit identified:

- Four purchase documents and 26 travel documents paid after the prompt payment deadline without paying interest to the vendor.
- Eight purchase documents and one travel document not scheduled.
- Three purchase documents that paid more interest to the vendor than was required.

Internal control structure

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

The audit identified:

- Two employees who have the security to process and release payments in the Board's internal system and in USAS, and can also process and release payments in USAS without oversight.
 - ◇ One of these employees also has the security to:
 - Adjust payment transactions in the Texas Identification Number System (TINS) and approve vouchers and
 - Pick up warrants from the Comptroller's office and approve vouchers.
- One employee signed the Confidential Treatment of Information Acknowledgment (CTIA) form after she was granted access to Comptroller systems. The CTIA form for another employee could not be located by the Board.

Miscellaneous transactions

We audited a limited sample of transactions for consulting services, refunds and payment cards for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

- No issues were identified.

Fixed assets

The audit included a limited review of fixed assets acquired by expenditures during our audit period to test for accurate reporting in the State Property Accounting (SPA) System and to verify existence of the assets.

- All assets tested were in their intended location and properly recorded in SPA.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Board's payroll, purchase and travel transactions was concluded on April 11, 2011.

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

- Purchase order created after invoice.
- Duplicate payments.
- Lack of conservation of state funds.
- Prompt pay and payment scheduling issues.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PURCHASE

Duplicate Payments

Finding

We ran a report outside of the sample to identify potential duplicate payments processed by the Board for the audit period. During our review of this report, we identified three duplicate payments. The total amount of the overpayments was \$5,025.00. These occurred because the vendors did not receive the warrants in a timely manner. As a result, the vendors resubmitted the invoices to the Board. The Board failed to notice that the invoices were identical and, at separate times, processed both the original and the duplicate invoices for payment.

The Board has issued cancellation documents for two of the payments and is working with the third vendor to obtain a refund.

In the Board's response to this finding in the prior audit report, the Board stated that it maintains voucher logs listing the vendor number, invoice number, service dates and case number for all payments.

Recommendation/Requirement

The Board must enhance its procedures to identify potential duplicate invoices to avoid making duplicate payments to vendors. The accounting staff should ensure that invoices and purchase orders/contracts are reconciled to prevent duplicate payments.

We recommend that the Board expand its log to indicate when a voucher has been paid. The Board should cross reference every invoice it receives with this log and the purchase agreement to determine if the invoice has already been paid.

Board Response

The Board has reviewed the duplicate payments report and has recovered the funds for all identified payments. The Finance department has expanded its voucher logs to include more invoice-specific details to aid in identifying potential duplicates. Additionally, as a part of the internal prepayment audit process, the Accounting Manager reviews the vendor payment history in TINS for similar previously paid amounts.

Purchase Order Created After Invoice

Finding

We identified one instance where the purchase order was not created until after the vendor invoiced the Board. The Board's procedures require that staff create a purchase order prior to obtaining goods and services, but this procedure was not followed in this instance. The Board stated that these services were for a yearly recurring service, and the Board did not review the service and prepare the purchase order before the previous year's service expired.

Without issuing the purchase order and documenting it with the vendor prior to ordering the goods, it becomes difficult for the Board to ensure that it is not overcharged or billed for goods or services beyond those the Board had agreed to purchase.

Recommendation/Requirement

The Board must ensure its procedures are followed. While a formal purchase order is not required, the Board must ensure that documentation of the purchase agreement is prepared at the time the Board orders the goods or services.

We recommend that the Board update its procedures to ensure that yearly recurring services are tracked and that a new purchase order is prepared in advance of the invoice being received.

Board Response

The Board is in the process of creating a comprehensive listing of all recurring services to include service periods and expiration dates. This is ensuring all required documentation is received and purchase orders are prepared before receipt of the invoice.

DETAILED FINDINGS — TRAVEL

Lack of Conservation of State Funds

Finding

We identified 10 instances where the Board reimbursed travelers for mileage while operating personally owned vehicles to conduct 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 travelers used rental vehicles instead of personally owned vehicles. The Board's procedures state that "Rental cars are authorized if it is determined that the rental car is more economical or efficient than the use of a personal vehicle," and "On average, if the trip is greater than 150 miles round trip a rental car is the most cost effective."

The Board stated that these procedures were not followed because the employees did not realize that cost savings could be incurred by using a rental vehicle.

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 Board must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. We recommend that the Board provide training to its staff on these procedures and on how to determine whether personal vehicle mileage or use of a rental car would result in the lesser cost.

We recommend that the Board update its procedures to eliminate recurring instances of lack of conservation of funds. If an employee repeatedly fails to make this comparison before travel, and the Board determines this after the travel has taken place, we recommend that the Board make the cost comparison and only reimburse the employee for the lesser amount.

Board Response

The Board will continue training employees on all policies and procedures related to travel, in addition to monitoring expenditures for fiscal responsibility.

DETAILED FINDINGS — PROMPT PAYMENT

Prompt Payment and Payment Scheduling Issues

Finding

Prompt payment

According to the prompt payment law, Texas Government Code, Section 2251.021(a), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See Texas Government Code, Section 2251.026. During the audit period, the Board paid vendors \$1,707.37 of prompt payment interest.

In our sample, we identified four purchase and 26 direct-billed travel transactions that were paid late but interest was not paid to the vendors. We also noted three purchase transactions which overpaid interest to the vendor. According to the Board, these errors occurred due to a staffing shortage in the accounting department.

Payment scheduling

Texas Government Code, Section 2155.382(d), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office must require advance scheduling of payments when it is advantageous to the state.

We identified eight purchase transactions and one direct-billed travel transaction where the Board paid early, resulting in interest loss to the State Treasury. According to the Board, these errors occurred due to a staffing shortage in the accounting department.

Recommendation/Requirement

The Board must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the Board must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors.

To minimize the loss of earned interest to the State Treasury, the Board must schedule all payments that are greater than \$5,000.00 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit — Payment Scheduling](#).

Board Response

The Finance department staffing shortage has been resolved and payments are being paid and scheduled in accordance to the Prompt Payment and Payment Scheduling requirements. Due dates and requested payment dates are reviewed by the Accounting Manager during the internal prepayment audit process.

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 Board placed on its accounting staff members' abilities to process expenditures. We reviewed the Board's security in USAS, USPS, TINS and voucher signature cards that was in effect on Oct. 2, 2014. We did not review or test any internal or compensating controls that the Board may have relating to USAS, USPS or TINS security or internal transaction approvals.

We identified two employees with multiple security capabilities. These employees could both process and release payments in the Board's internal system and in USAS without oversight. One of these employees could also adjust payment transactions in TINS, pick up warrants from the Comptroller's office and approve vouchers. The Board received a schedule of this finding during fieldwork. The Board stated that this situation occurred due to a staffing shortage in the accounting department.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practical.

We ran a report to determine whether any of the Board's payment documents processed without oversight through USAS during the audit period. The report identified no documents that were entered or changed and approved by the same person without oversight.

As a routine part of our security review, we evaluated the Board's compliance with the requirement that all agency users of Comptroller systems must complete a Confidential Treatment of Information Acknowledgment (CTIA) form. When a new user needs access to Comptroller systems, the agency's security coordinator must first have the user read and sign the CTIA form. A reviewing official also signs the form, which the agency's security coordinator keeps on file for as long as the user has access to the systems, plus five years. In our review, we identified one CTIA form signed after the individual had accessed Comptroller systems, and one CTIA form which could not be located by the Board.

Recommendation/Requirement

The Board 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 Board may request a preventative control be enforced for all transactions in USAS. If an agency requests the control, an edit prevents the release of a document that the same user entered or altered. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

The Board should enhance its procedures to ensure that no user gains access to the statewide financial systems without a timely and properly completed CTIA form.

Board Response

The Board has a small Finance department preventing total segregation of all capabilities. To compensate for this, strict controls are in place to ensure no one person performs all aspects of the payment and approval process. Internal procedures specifically state, “Staff entering accounting transactions should not approve and/or release these transactions for payment processing.” The Board will review the schedule of security capabilities provided during fieldwork and determine if further segregations can be made while maintaining the functional needs of the department. Warrants are mailed by an individual independent of the approval process. The Board’s Chief Fiscal Officer is the agency’s designated security coordinator and does not request access to any financial system without a properly completed CTIA form.