

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Anna Calzada

Audit Report # 456-15-01
February 12, 2016

Post-Payment Audit of the Board of Plumbing Examiners



Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

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

Detailed Findings — Payroll

Incorrect Longevity Payment Amount.....	1
-----------------------------------------	---

Detailed Findings — Purchase/Procurement

Purchase Order Change Notice Processed After Invoice Received	3
---------------------------------------------------------------------	---

Detailed Findings — Expenditure Approvals

Control Weakness Over Expenditure Processing.....	4
---------------------------------------------------	---

EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Board of Plumbing Examiners (Board) purchase and travel transactions and all payroll transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning March 1, 2014, through Feb. 28, 2015, 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.

The audit identified:

- 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.

The audit identified:

- Purchase order change notice processed after invoice received.

Travel transactions

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

- No issues were identified.

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:

- One employee who can process and release payments through USAS.

Fixed assets

The audit included a review of a limited number 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. The disposed assets report listed two assets as missing with a net book value of \$511.18.

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

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 Aug. 25, 2011.

During the current audit, no recurring findings were identified.

Contact:

Anna Calzada
512-463-4338

Contributing Auditor:

Jesse Cantú, CPA

DETAILED FINDINGS — PAYROLL

Incorrect Longevity Payment Amount

Finding

In our audit of payroll transactions we identified two employees with incorrect effective service dates in USPS. This resulted in an underpayment amount of \$2,580.00 in longevity pay for the two employees.

The errors occurred because the prior state service listed on the employees' applications was not verified or entered in USPS due to oversight.

The proper calculation of the effective service date is derived by subtracting the total days of lifetime service credit from the most recent employment date. That date is used to determine when the longevity pay is to be increased.

See [Texas Payroll/Personnel Resource – Longevity Pay](#).

We provided the Board with the schedule and calculations of the incorrect longevity payment amounts during fieldwork. They are not included with this report due to confidentiality issues.

Recommendation/Requirement

The Board must ensure that prior state service is properly verified and documented for its employees. The Board must compensate the employees who were underpaid longevity pay.

The Board must ensure that its internal operating procedures include quality control measures that will detect any underpayments of compensation to a state employee.

Board Response

We agree with the findings and the two employees have been compensated for their underpaid longevity. We would like to point out that one of the two employees began employment with the Board in January 1996, several years before any of the current Accounting staff began. This employee was previously audited several times by Comptroller audit staff but there was no finding.

The second employee was hired in July 2000 and at that time the Board called the agency's designated USPS analyst and informed them that this employee had prior state time and was still on staff with the University of Texas at Austin (UTA). The USPS analyst advised us that because UTA was part of the UT System to not include the prior time. Back in 2000 this was the "usual" response for someone who had state time that was not handled by USPS and the Employees Retirement System of Texas, especially from colleges and other state systems. This employee was also previously audited several times by Comptroller audit staff but there was no finding.

Comptroller Response

Officers and state employees are responsible for being knowledgeable about state and federal laws and rules concerning payroll expenditures and other human resources actions. In addition, officers and state employees must ensure the agency's payroll expenditures comply with the state and federal laws and rules. A state agency is responsible for ensuring that all payments that are processed through the Comptroller's systems are correct. A mistake made by a state agency in calculating an item involving compensation does not absolve the officer or employee of the responsibility. Each voucher must stand on its own. An improper type of payment is not made proper by the fact that it is made one or more times.

DETAILED FINDINGS — PURCHASE/PROCUREMENT

Purchase Order Change Notice Processed After Invoice Received

Finding

We identified one transaction where the purchase order (PO) was changed to increase the amount after the invoice was received. The Board said the error occurred due to oversight.

The Board's procedures are to initiate the Purchase Order Change Notice (POCN) process to document changes before ordering the goods and/or services. In this instance, the Board's procedures were not followed.

Without a completed POCN prior to receiving the invoice, it becomes difficult for the Board to ensure it was not overcharged or billed for goods or services beyond those the Board agreed to purchase.

Recommendation/Requirement

The Board should document any changes to the original PO, including signatures and dates, through the POCN process prior to the vendor performing the services or providing the goods.

Board Response

We agree with this finding. However, for this particular purchase, a piece of equipment was ordered in August 2013. Several months after placing the order we were notified that the existing product had been discontinued and several months passed before a replacement unit was agreed upon. The replacement piece of equipment offered was larger than the original one ordered, and when delivery was attempted, would not fit through the door where it was to be placed and needed to be disassembled. The additional amount added to the invoice was for the reassembly and installation charges that could not be determined when the original order was placed due to the size of the available equipment.

Comptroller Response

In this instance, the Board should have contacted the TXMAS (Texas multiple award schedule) contractor prior to issuing the purchase order to negotiate any installation, inside delivery or set-up fees. After a review of the original product order specifications and a review of the replacement product order specifications, it was determined that the dimensions were the same.

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, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on April 15, 2015. 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.

During the audit, we identified one employee who could process and release payments through USAS without electronic oversight. The Board was provided with a schedule of this finding during fieldwork.

We ran a report to determine whether any of the Board's payment documents processed through USAS or USPS during the audit period because of the action of only one person. There were no payments in USAS or USPS that processed because of the action of one employee.

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

Board Response

Since there are only two persons in the Accounting section of the agency, separation of duties is very difficult, as is the case with all small agencies. This issue has come up in the prior Comptroller expenditure audits of 2004, 2007 and 2011. Although the Board has followed all previous recommendations that have been suggested by Comptroller staff, the issue remains and continues to be an audit finding. Previous recommendations have included removing the Director of Financial Operations from being able to pick up or sign for warrants and requiring him to access USAS by using five different user class codes for specific document types (rather than just one). Security sets for USAS were obviously developed for larger agencies with multiple accounting personnel, but the Board has been unable to obtain a satisfactory remedy from Comptroller staff regarding this issue. It is the Board's hope that the upcoming new CAPPS Accounting System will provide a better solution in this area for smaller State agencies.

Comptroller Response

The Board should consider segregating duties so that the employee who has access to enter or change vouchers in the system does not also have access to approve or release payments. The Board should request that a preventive control be enforced for all of its transactions in USAS. If the Board 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 \(FPP B.005\)](#) which explains how agencies can strengthen internal controls and reduce risk to state funds.