

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of the General Land Office



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the General Land Office (Office) payroll, purchase, travel and grant 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 listed in the Detailed Findings of this report. If necessary, the 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. The Office 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:

- One underpayment of longevity for \$540.00.
- One missing prior state service verification.

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.

- No issues were identified.

Travel transactions

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

- No issues were identified.

Grant transactions

A limited review of the Office's grant payments was conducted as a part of our purchase sample. 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 Office'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.

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:

- Six employees who could adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers without oversight.
- One employee who had release security in USAS for two days after termination.

Fixed assets

The audit included a review of a limited sample 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, location and proper reporting of the fixed assets.

- All of the 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 Office's payroll, purchase, travel and grant transactions was concluded on July 15, 2011.

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

- Incorrect payment of longevity.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Underpayment of Longevity Pay

Finding

In our audit of payroll transactions, we identified one employee with incorrect months of state service credit. The employee listed the prior state service on her job application; however, the Office failed to verify state service and include this state service in her longevity calculation. As a result of the audit, the Office has obtained the prior state service documentation and corrected the effective state service date in USPS. This oversight resulted in an underpayment of \$540.00 in longevity pay within the sample selected for the audit period, and \$1,240 overall.

The proper longevity benefit for effective state service is calculated 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.

For more information, see [Texas Payroll/Personnel Resource – Longevity Pay](#). The agency must ensure that the correct number of hours are being used for longevity benefit pay calculations.

See [Texas Payroll/Personnel Resource – Partial Payment Calculations](#) for guidance on partial payments.

We provided the Office with the schedule and calculations of the error amounts during fieldwork. They are not included with this report due to confidentiality issues.

Recommendation/Requirement

The Office must review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to a state employee. See Texas Administrative Code, Title 34, Section 5.40(c). The Office should also caution its employees to verify all totals submitted. The Office should consider compensating the employee for the benefit underpayment in accordance with the Texas Government Code, Chapter 666.

Office Response

The General Land Office concurs with the recommendation to ensure accuracy and completeness. The following outlines the due diligence of the Human Resource department in fulfilling this recommendation.

As a result of the July 15, 2011, audit, the General Land Office reviewed every personnel file in order to ensure all required documentation is maintained. The review was completed in October of 2013.

As a result of the finding, several steps are taken in order to locate any prior state service on each employee. In addition to searching the State Service History screen on USAS (Comptroller), each personnel file was reviewed to determine if prior state service was listed on one of the following:

- 1. Prior/Dual State Service Form (Completed at the time of hire)*
- 2. Employment Application (either original or updated)*
- 3. Resumé*
- 4. Employment Verifications from other state agencies already obtained in the file*

Human Resources developed a Prior/Dual State Service Credit form that is completed by each employee at the time of New Hire Orientation. Employees are told of the importance of identifying any prior state service employment, participation in a work-study at a state university or college, and experience of any employment by a Texas state agency, college or university (excluding contract or pass-through work in which the individual was not paid by the state for the work). It is also explained to each new employee the importance of tracking and identifying any prior state service credit because of the potential impact on retirement and longevity.

Comptroller Response

Due to the recurrence of this finding, the Office must continue to strengthen its risk controls over personnel records, as well as ensure the accuracy of its compensation and benefit payment calculations.

Missing Prior State Service Verification

Finding

During our review of the Office's personnel files, we identified one file missing a prior state service verification. The Office does not owe any longevity pay to the employee because the state service was entered correctly when the employee was hired.

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's office may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time.

See [Texas Payroll/Personnel Resource – Required Documentation](#).

The payroll schedule was provided to the Office and is not included with this report due to confidentiality issues.

Recommendation/Requirement

The Office must continue to review its personnel files to ensure that all prior state service verifications are properly documented and maintained in the personnel files.

Office Response

The General Land Office concurs with the recommendation to review personnel files to ensure that all prior state service verifications are properly documented and maintained in the personnel file. On Oct. 20, 2015, the Human Resources division created a checklist that demonstrates that each of the five verification steps has been completed and documentation is maintained in each personnel file.

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 the Office placed on its accounting staff's abilities to process expenditures. We reviewed the agency's security for USAS, USPS and TINS as well as signature cards. We did not review or test any internal or compensating controls that the agency may have relating to USAS, USPS or TINS security or internal transaction approvals.

During the audit period, the Office had six employees who could release payees from the Office's holds in TINS and approve paper vouchers without oversight. It was the Office's position that these employees did not carry a significant risk for fraud or financial loss due to the preventive security control implemented to be in compliance with [USAS Accounting and Payment Control \(FPP B.005\)](#).

In order to reduce risks to state funds, the Office should maintain controls over expenditure processing that segregate each accounting task to the greatest extent practical. Ideally, no individual should be able to process accounting transactions within the statewide financial systems without another person's involvement.

Recommendation/Requirement

The Office should continue to 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.

Office Response

The six employees in question only had security to update the warrant hold status of a TINS ID. Their security settings prevented them from making any other form of edits to the TINS ID. The General Land Office interpreted this level of security to satisfy the requirements of FPP B.005.

Nevertheless, the General Land Office proceeded with implementing the additional recommended controls. On Dec. 15, 2014, the General Land Office removed warrant hold updates rights for the six employees in question, and assigned that responsibility to employees who can make TINS changes without having any security to enter or release payments in USAS.

Employee Retained Security to Expend Funds After Authority Expired

Finding

During the audit period, the Office did not notify the Comptroller's office about the termination of one employee designated by the Office to approve its expenditures. The Office stated this error represents an oversight which resulted from the employee's termination date falling on a Sunday before an extended holiday in which the Office was closed the previous Thursday and Friday. Because of the extended time between the employee's last working day, Wednesday, and her termination date on Sunday, the Office believed it had time to submit the revocation notice to the Comptroller's office. The Office's security coordinator was out of the office on the next Monday, so the notification was not submitted until Tuesday, two days after the termination date.

The lack of timely notification meant this employee retained USAS security for two days after termination, so the employee could have approved electronic vouchers during that time. When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's USAS 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 past the employee's actual employment date. See Texas Administrative Code, Title 34, Section 5.61(k)(5)(A)-(B). We queried the payment system and found that no payments were processed by the employee after termination.

Any officer or employee may send the Comptroller's office notification of termination or revocation. See Texas Administrative Code, Section 5.61(k)(3)(B). Additionally, this citation does not specify how the Comptroller's office must be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings in advance of the expiration date, as long as the writings indicate that the designated employee has terminated employment, had security revoked or will experience either a termination or a revocation in the near future, and the notification specifies the effective date of the termination/revocation.

Recommendation/Requirement

The Office must enhance its controls to ensure compliance with the preceding requirements. The Office must also ensure that the person responsible for sending these notifications to the Comptroller's office is aware of the designated employee's termination on or before the date the termination becomes effective and follows through with the Comptroller's office to ensure that both the notification is received and the revocation is performed.

Office Response

The General Land Office concurs with the findings and will make every attempt to ensure termination notifications are submitted on or before the termination date.