

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Derik Montique

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Post-Payment Audit of the Comptroller – State Energy Conservation Office



Glenn Hegar
Texas Comptroller of Public Accounts

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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Comptroller – State Energy Conservation Office (Office) purchase, travel, grant and loan transactions, plus all payroll transactions, that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning June 1, 2014, through May 31, 2015, 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. It is the Office'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 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.

- No issues were identified.

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:

- Payments in excess of contract amount.

Travel transactions

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

- No issues were identified.

Grant and loan transactions

We conducted a limited review of the office's transactions relating to grants and loans. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Office's procedures for awarding grants and loans or monitoring payments made to the payees; therefore, no opinion is being offered 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.

- No issues were identified.

Direct deposit authorization

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

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Office's payroll transactions was concluded on Aug. 5, 2011.

During the current audit, no recurring findings were identified.

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DETAILED FINDINGS — PURCHASE

Payments in Excess of Contract Amount

Finding

We noted three payments where the invoiced amount was greater than the amount stated on the contract, resulting in an overpayment of \$119.00 during the sample period. Once these findings were given to the Office, it conducted a review of payments that preceded the sample period and determined the vendor had been overpaid a total of \$314.50. The vendor was contacted and agreed that it mistakenly charged the wrong hourly rate for one employee each month. The vendor corrected the invoices and gave the Office credit for the overcharges on its subsequent invoice.

The Office may pay only the contracted amount shown on the purchase agreement. When an agency enters into a written agreement and creates a contract for the goods or services with a vendor, expenditures under the agreement may not exceed the established limit. An agency may amend the contract and pay additional amounts only if the vendor provides a new benefit, i.e., consideration, to the agency. Any changes to the original contract must be done prior to the vendor providing the goods/services and be properly documented and dated.

Recommendation/Requirement

The Office must properly review and compare the purchase agreement to the invoice to ensure that the payments do not exceed the amounts authorized in the purchase agreement. In addition, the Office must document any amendments to the contract. The Office must obtain approval prior to receipt of the invoice when purchasing goods or services that are more than the agreed-upon amount.

Office Response

A vendor increased its professional service rate in one of nine categories and did not notify SECO or request an adjustment in that rate category. The vendor was contacted and the overcharges were credited on subsequent invoices.

Please note that the payments did not exceed the total contract amount and the payments per budget category did not exceed amounts in each category. Accounting system and budget controls are in place to prevent that scenario from occurring.

SECO is procuring a new grants management and accounting system with enhanced budget control features. This system will provide for automated budget category and rate reconciliation, allowing invoiced rates to be compared with contracted rates. Until that system is operational, SECO contract managers will manually check invoiced rates against rates listed in the contract.