Post-Payment Audit of the Texas Department of Criminal Justice

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Statewide Fiscal Services Dept.
Expenditure Audit Section
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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Department of Criminal Justice (Department) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Standardized Payroll/Personnel Reporting System (SPRS) during the period beginning Dec. 1, 2013, through Nov. 30, 2014, to determine compliance with applicable state laws.

The Department 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 Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department’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 Department’s documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.

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 accrued vacation and lump sum death payments. The Department made an error that led to the underpayment of $32,264.85 in lump sum payments affecting 255 employees and/or the estate of the employees.

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:

• Discounts not taken.
• Duplicate payment.
**Executive Summary**

**Travel transactions**

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

- No issues were identified.

**Travel card transactions**

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

The audit identified:

- Unauthorized use of state-issued travel card.

**Security**

The audit included a security review that entailed identifying any of the Department’s employees with security in USAS, SPRS or on the voucher signature cards, who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

- No issues were identified.

**Internal control structure**

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

The audit identified:

- Three employees can adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.
- Two employees can pick up warrants from the Comptroller’s office and approve vouchers.

**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 the existence of the assets. The disposed assets report listed 33 assets as missing or stolen with a net book value of $80,097.13. The thefts of the assets were reported to the police and police reports were obtained.

- 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 Department’s payroll, purchase and travel transactions was concluded on Aug. 8, 2011.

During the current audit, the following recurring finding was identified:

• Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Incorrect Accrued Vacation Time and Lump Sum Death Payments

Finding

We identified six incorrect payments of accrued vacation time and/or lump sum death payments for employees who terminated or died prior to May 2014. The total amount of incorrect accrued vacation time and lump sum death payments in the sample totaled $1,513.77.

As a direct result of audit fieldwork in April 2015, the Department researched all lump sum and death payments in fiscal 2014. The outcome of the research resulted in the Department issuing 255 payments to the employees and/or the estate of the employees that had been underpaid for an additional total amount paid of $32,264.85.

The Department stated that a programming error occurred in May 2013 when it entered the base number of working hours for fiscal 2014 in its employee time reporting system.

The Department was made aware of the situation in May 2014 and made corrections to the April and May lump sum payments, but neglected to retroactively review all lump sums for vacation time and death payments that processed prior to April 2014.

The balance of the accrued vacation time must be allocated over the workdays following the effective date of the employee’s separation from state employment until accrued vacation time is completely allocated. Hours must be added for each state or national holiday that occurs during the period over which the time is allocated. See Texas Government Code, Section 661.064.

The balance of the deceased state employee’s accrued vacation time must be allocated over the workdays following the effective date and time of the employee’s death until the total accrued vacation time is completely allocated. The estate is entitled to be paid for one half of the balance of the employee’s sick leave, not to exceed 336 hours. See Texas Government Code, Section 661.033(b).

We provided the Department with schedules of the incorrect payment amounts. The documents are not included with this report for confidentiality purposes.

Recommendation/Requirement

The Department must enhance its internal controls to prevent any additional incorrect payments of accrued vacation time and lump sum death payments. The Department compensated the employees and/or estate of the employees that were identified during the audit.
Department Response

In May 2014, the Department identified an inaccuracy in the lump sum program calculation. Programming changes were completed on May 22, 2014 to correct the issue and prevent future occurrences.
**DETAILED FINDINGS — PURCHASE**

**Discounts Not Taken**

**Finding**

In our sample, the Department did not take advantage of discounts offered by two vendors. The invoices were received with ample time to process the payments and take advantage of the discounts. According to the Department, this was an oversight.

Texas Government Code, Section 2251.030(d) states: “A state agency, when paying for goods or services purchased under an agreement that includes a prompt or early payment discount, shall submit the necessary payment documents or information to the comptroller sufficiently in advance of the prompt or early payment deadline to allow the comptroller or the agency to pay the vendor in time to obtain the discount.” When a prompt payment discount is available, it is the Department’s responsibility to determine whether scheduling the payment or taking the discount is the greatest benefit for the state. In these cases, the discounts would yield a greater benefit than scheduling the payments.

**Recommendation/Requirement**

The Department should review all invoices upon receipt to determine if they include discounts. The Department should compare the cost/benefits of early payment versus scheduling the payment. If the Department determines that the discount is most beneficial to the state, it should process the invoice promptly through the Department’s payment process. If the discount is not beneficial to the state, the Department must schedule the payments in accordance with its purchasing agreements as described in [Expendit – Prompt Payment](#) and [Expendit – Payment Scheduling](#).

**Department Response**

*It was the Department’s policy to review all invoices upon receipt to determine if they include discounts. Prior to April 17, 2015, the Department had an internal policy that required discounts to exceed $5.00 before they were to be scheduled for early payment. Since April 17, 2015, all discounts are reviewed for cost effectiveness. The importance of the agency receiving cost-effective discounts is included in all of Accounts Payables’ new hire training and will continue to be reinforced to all staff in future meetings and trainings.*
Duplicate Payment

Finding

We ran a report outside of the sample to identify potential duplicate payments processed by the Department during the audit period. During our review of this report, we found one duplicate payment. The total amount of the overpayment was $158.90. The Department received a refund check from the vendor on Sept. 4, 2015, for the full amount.

The Department stated that before a payment is processed, the invoice is matched with the purchase order and the purchase voucher log to prevent duplication. However, this procedure was not followed when processing this payment.

Recommendation/Requirement

The Department must enhance its procedures to identify potential duplicate invoices to avoid making duplicate payments to vendors. The accounting staff should ensure that the invoice and payment are reconciled to prevent duplicate payments.

Department Response

_The Department has procedures and system checks in place to verify the accuracy of payments to vendors, as well as, prohibits duplication. This error occurred due to an employee not following established procedures. The employee was counseled upon recognition of the error and additional training was provided to ensure compliance with current procedures and policies._
DETAILED FINDINGS — TRAVEL CARD TRANSACTIONS

Unauthorized Use of State-Issued Travel Card

Finding

During our review of the Department’s travel card transactions that processed during the audit period, we identified several instances where an employee used the state-issued travel card to purchase alcohol totaling $2,059.25.

The Department has internal procedures that require monitoring of expenditures made with the state-issued travel card. In this instance, it was assumed that the establishments served food. As part of our audit, we contacted the establishments and determined that they do not serve food.

34 Texas Administrative Code, Section 20.308(b) states that “state credit cards may be used only for official state business.”

The Department stated that the employee was formally disciplined for inappropriate use of the state-issued travel card and is no longer employed with the Department.

Recommendation/Requirement

The Department must ensure that all state-issued travel card transactions are properly reviewed. In addition, the Department must ensure that the Department’s travel cards are used in accordance with the applicable rules and requirements. The current state credit card administrator, Citibank, offers reports that can assist the Department in monitoring its credit card usage. The Department must offer periodic training to its credit card holders on proper use of state-issued credit cards.

Department Response

In November 2014, prior to the audit, TDCJ identified misuse of the travel card belonging to the employee in question, and the Department began an internal investigation. The employee was formally disciplined for inappropriate use of the state-issued travel card and is no longer employed by the Agency.

All new cardholders sign a Travel Card Use Agreement, requiring adherence to the stated policies, regulations and penalties for using a state of Texas individual corporate travel card. These documents are available electronically for reference and training purposes.

Additionally, the identified merchant category code has been included on our list of transactions that require enhanced monitoring during monthly audit processes.
Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Department placed on its accounting staff members’ abilities to process expenditures. We reviewed the Department’s security in USAS, SPRS, TINS and voucher signature cards that were in effect on March 31, 2015. We did not review or test any internal or compensating controls that the Department may have relating to USAS, SPRS or TINS security or internal transaction approvals.

The Department has three employees who can adjust payment instructions in TINS and approve paper vouchers and two employees who can pick up warrants from the Comptroller’s office and approve paper vouchers. The Department was provided with a schedule of this finding during fieldwork.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions within the statewide financial systems without another person’s involvement.

As a result of the audit, modifications were made to the security profiles to ensure that an individual did not have the authority to both enter and release payments without electronic oversight.

Recommendation/Requirement

The Department 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 electronic oversight.

Department Response

All necessary changes to modify user profiles were completed on or before May 7, 2015.