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Expenditure Audit Section  
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Audit Report # 105-16-01  
August 31, 2016

# Post-Payment Audit of the Legislative Reference Library



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# Table of Contents

## Executive Summary

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

## Detailed Findings — Purchase

Incorrect Amount Paid.....	1
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## Detailed Findings — Internal Control

Control Weakness Over Expenditure Processing.....	2
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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Legislative Reference Library's (Library) 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, 2014, through Aug. 31, 2015, to determine compliance with applicable state laws.

The Library 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 Library should implement the recommendations listed in the Detailed Findings of this report. It is the Library'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 Library's documents comply in the future. The Library 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.

### 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:

- Incorrect amount paid.

### Travel transactions

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

- No issues were identified.

## Fixed assets

The audit included a limited number of fixed assets acquired by the Library during the audit period. The physical existence and use of each asset for state business was verified.

- No issues were identified.

## Internal control structure

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

The audit identified:

- Three employees who can process and release payroll transactions, pick up warrants from the Comptroller's office and approve paper vouchers.
- Two of the same employees can process and release payments through USAS without oversight.

## Direct deposit authorization

A review was conducted of the Library'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 Library's payroll transactions was concluded on Nov. 3, 2011.

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

- Control weakness over expenditure processing.

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## DETAILED FINDINGS — PURCHASE

### Incorrect Amount Paid

#### Finding

We identified one payment where the vendor charged the Library more than the contract allowed. In December, the vendor sent the Library an invoice in the amount of \$952.00 for services rendered in November. Additional charges on the invoice were reviewed and determined to be inaccurate. The Library contacted the vendor and disputed the charges. The vendor issued a credit memo for \$68.00. In January, during the period of negotiation, the vendor sent another invoice with the same incorrect amounts for services rendered in December. According to the Library, it mistakenly thought the credit applied to the second invoice, and did not dispute the inaccurate charges. As a result of the audit the Library contacted the vendor and requested a second credit of \$68.00 for the overpayment.

#### Recommendation/Requirement

The Library must properly review and compare the invoices with the contract to ensure that the payments do not exceed the authorized amounts. The Library must also ensure any authorized charges beyond the base price are authorized in writing and attached to the payment documents.

#### Library Response

*The Library appreciates the recommendation and has provided additional training to the accounting team to familiarize them with the possible cost variables associated with the agency's contract payments. As recommended, the accounting team will also obtain written confirmation from Library management for any monthly charges incurred beyond the base price if such backup is not provided by management with the original invoice.*

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## DETAILED FINDINGS — INTERNAL CONTROL

### Control Weakness Over Expenditure Processing

#### Finding

As part of our post-payment audit planning process, we reviewed certain limitations that the Library placed on its accounting staff's ability to process expenditures. We did not review or test any internal or compensating controls that the Library may have relating to USAS, USPS or TINS security or internal transaction approvals.

The Library had three employees with multiple security capabilities. All three can process and release payroll transactions and can pick up warrants from the Comptroller's office and approve paper vouchers. Two of the same employees can also process and release payments through USAS.

The Library received a schedule of this finding during fieldwork. The Library stated that the small number of employees makes it difficult to separate the responsibilities in USAS, USPS and TINS. However, the Library has setup internal procedures to mitigate the process.

We ran a report to see whether any of the Library's payment documents processed through USAS and USPS during the audit because of the action of only one person. The report identified 23 documents totaling \$77,983.02 that processed without oversight. We reviewed several of these documents during fieldwork and found that the associated payments were valid expenditures.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems and approve paper vouchers without another employee's involvement.

#### Recommendation/Requirement

The Library 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.

[USAS Accounting and Payment Control \(FPP B.005\)](#) discusses the following tools that are available in USAS for agencies to use to strengthen internal controls and reduce risks to state funds:

- The Library may request that a preventative control be enforced for all of their transactions in USAS. If an agency requests the control, an edit will prevent the release of a document that the same user entered or altered, or warn when this is about to occur.
- The Library may request to receive the Risky Documents Report (DAFR9840) to identify documents that the same user entered or altered and then released for processing. This report enables agency management or internal and external auditors to easily identify and review these documents.

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## **Library Response**

*On April 25, 2016, the Library established preventative controls in USAS to prevent the release of a document by the same user who entered or altered the document.*

## **Comptroller Response**

*The preventative controls established by the Library only address the issue of one individual having the ability to enter and release a document in USAS. These controls do not prevent an individual from entering and releasing payroll transactions without oversight or from approving paper vouchers and picking up warrants from the Comptroller's office. The Library must segregate these duties so no individual has the authority to perform these tasks.*