

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of Texas Board of Professional Land Surveying



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Board of Professional Land Surveying (Board) payroll, purchase and travel transactions 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 Board receives appendices with the full report that includes 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.

- No errors 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](#), [State of Texas Procurement Manual](#) (Procurement Manual), [State of Texas Contract Management Guide](#) (Contract Management Guide) and other pertinent statutes.

The audit identified:

- Missing Department of Information Resources (DIR) contract identification number on Purchase Order (PO).
- Missing DIR exemption.
- TIBH Industries, Inc. (TIBH) was not used.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes. Our review identified minimal audit findings which were discussed during our exit conference meeting.

The audit identified:

- Lack of conservation of state funds on eight vouchers.

Security

The audit included a security review to identify any of the Board's employees with security in USAS, USPS, the Texas Identification Number System (TINS) 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 errors 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 review identified:

- Two employees who can process and release payments through USAS.
- One employee who can pick up warrants from the Comptroller's office and approve paper vouchers.
- One employee who has the ability to adjust payment instructions in TINS and also approve paper vouchers.

Fixed assets

The audit included a limited number of fixed assets acquired by the Board during the audit period to test for accurate reporting in the State Property Accounting (SPA) System. Their physical existence and use for state business was verified.

- 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 Board's payroll, purchase and travel transactions was concluded on Nov. 30, 2011.

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

- Control weakness over expenditure processing.

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DETAILED FINDINGS — PURCHASE

Purchase Order (PO) Missing Department of Information Resources (DIR) Contract Number

Finding

We identified 16 transactions where the Board failed to reference the DIR contract number. The Board was unaware that the DIR contract was required on the PO; however, the Board referenced the DIR contract number in various corresponding invoices instead.

When an Information Technology (IT) product or service is purchased through an existing purchasing program developed by DIR, a state agency must reference the pertinent DIR contract number on the transaction PO. See the [State of Texas Procurement Manual](#) (Procurement Manual) – Procurement Review – Section 3.2.

All state agencies must deliver a PO to their successful goods and services vendors. The PO needs to include the terms, conditions, contract identification and all state specifications to which the vendor must comply in fulfilling its obligations to the agency. The PO must also be noted on all bills of lading, packing slips, back orders, invoices and other transactional documents. See [Vendor Guide](#) – Contract Administration / Receipt of Purchase Order or Notice of Award.

Recommendation/Requirement

In an effort to ensure adherence to the statutes and rules that govern procurement practices, the Board must follow the procedures outlined in the Procurement Manual. A copy of the PO related to the transaction indicating the specific existing DIR contract number must be used and incorporated in the appropriate operation documents file as proof of full compliance.

Board Response

We appreciate the importance of adhering to procurement practices as outlined in the Procurement Manual. We have entered the missing information in the purchase orders identified in the audit. In addition, we have taken steps to verify that other entities listed in purchase orders for the audit period and subsequent fiscal years are not missing this information.

For future purchases, we will ensure that all purchase related documents, including the purchase orders themselves, contain the required information.

Missing Department of Information Resources (DIR) Exemption

Finding

We identified one purchase for a unique IT good not available through a DIR term contract, which omitted the mandatory procurement procedure to receive authorization from DIR beforehand. The Board used an outside vendor without proper permission. Due to lack of knowledge of this authorization requirement, the Board did not request an exemption approval letter to authenticate using a non-contracted vendor for this acquisition.

Texas Government Code, Chapter 2157, requires state agencies to purchase hardware and/or software goods, as well as technical services through DIR cooperative contracts. However, Texas Government Code, Section 2157.068, in addition to Texas Administrative Code, Chapter 34, Section 20.391 and Chapter 1, Section 204.12, state that, only if a product or service is not available via an existing purchasing program developed by DIR, a state agency can opt to use a different vendor as a secondary source if allowed by DIR through the approval of a one-time exemption request. See the [Procurement Manual](#) – Selecting a Procurement Method.

In order to save time and money on technology purchasing, DIR has more than 750 contracts in place, all competitively bid as per Texas state requisites. If the goods or services must be acquired from a source other than DIR as set forth in its catalog, as the next step, an exemption request form must be submitted to DIR. If the exemption is granted, the Board may utilize outside vendors. See [Procurement Manual](#) – Delegated Purchases – Purchase of Automated Information Systems/Telecommunications Commodities and Service Purchases.

Recommendation/Requirement

The Board must follow the procedures outlined in the Procurement Manual for IT goods or services. The Board must obtain an exemption request authorization from DIR and make it part of its pertinent procurement documentation file every time it buys IT goods or services from a source other than DIR cooperative contracts.

Board Response

The Board's initial research of the DIR contracts and contact with their staff did not reveal the type of product the agency was seeking to purchase. We did, however, neglect to request an exemption letter.

TIBH Industries, Inc. (TIBH) Not Used

Finding

The Board did not use the State Use Program set-aside contracts for two purchases as required. The transactions procured items offered by TIBH Industries, Inc. According to the Board, these errors occurred due to an oversight.

The Texas Council on Purchasing from People with Disabilities (TCPPD), abolished effective Sept. 1, 2016, by Senate Bill 212, 84th Legislature, Regular Session, had the statutory responsibility for implementing the State Use Program (program). The program transferred to the Texas Workforce Commission on Sept. 1, 2016, which establishes set-aside purchasing programs for commodities and services from community rehabilitation programs employing disabled Texans. The program assists persons with disabilities in achieving maximum personal independence by engaging in useful, productive employment. TIBH competitively won the bid in 1978 to administer the day-to-day operations of the program. In this capacity, TIBH handles everything from order processing to fulfillment and invoicing POs to market history analysis, pricing requests, as well as Community Rehabilitation Program (CRP) registration and compliance. If a product or service is approved, it is set aside from competitive bidding, entered on a Comptroller's office term contract, and listed in a catalog. No competitive bidding is required.

Texas Government Code, Section 2155.138(a) and Human Resources Code, Section 122.008 compel all state agencies and universities to purchase from TIBH all suitable products or services that meet applicable and functional specifications. Moreover, Human Resources Code, Section 122.016(b), obliges Statewide Procurement Division (SPD) to provide a monthly report (known as the State Use or Exception Report) listing all items not bought from TIBH. In order for SPD to comply with such provision, each state agency must submit to SPD all delegated purchases not acquired from the TIBH list of set-aside contracts. See the [Procurement Manual](#) – TCPPD.

Recommendation/Requirement

The Board must follow the procedures outlined in the Procurement Manual for all goods or services manufactured by TIBH. The Board must ensure that it reports to SPD all delegated purchases not made from TIBH every time the particular product or service purchased is not offered by TIBH.

Board Response

When making purchases, the Board now makes TIBH its primary vendor. However, we are concerned because we have a requirement to make a certain percentage of purchases from historically underutilized businesses (HUB). If the few purchases are all satisfied through TIBH, we will be unable to attain our HUB measures.

Comptroller Response

The statutory mandates for the state's HUB Program do not preclude state agencies from utilizing mandatory state use set-aside purchasing programs (i.e. Council on Competitive Government (CCG), Texas Industries for the Blind and Handicapped (TIBH), Texas Correctional Industries (TCI), Department of Information Resources (DIR), Statewide Procurement Division (SPD), Automated and Non-Automated Contracts, or Texas Multiple Award Schedule (TXMAS) Contracts) when applicable. As per The Comptroller's Fiscal [2016 Semi-Annual Statewide Historically Underutilized Business \(Hub\) Reporting Procedures](#), page 22, the TIBH Workcenters purchases are excluded from HUB reporting.

Texas Government Code, Chapter 2161, Sec. 2161.123, requires agencies to include as part of their Strategic Plan goals to be met by the agency in carrying out its policy or mission statement relating to increasing the use of HUB in their procurements. The Board may consider modifying its HUB goals and incorporating into its Strategic Plan the challenges it took into consideration in the development of its methodology for establishing its agency specific goals.

DETAILED FINDINGS — TRAVEL

Lack of Conservation of State Funds

Finding

We identified seven travel vouchers where the Board reimbursed travelers for mileage while operating personal vehicles to conduct official business. However, based on the applicable car rental rates, related taxes, cost of gas and the standard mileage rates in effect at the time of travel, it would have been more cost beneficial to the state if the travelers had used rental vehicles instead of personal vehicles. The Board's procedures do not require travelers to prepare a cost comparison of rental car versus personal vehicle prior to travel.

We also identified one travel transaction which paid for valet parking service when a free parking option was readily available.

According to Texas Government Code, Section 660.007(a), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. Similarly, supporting documentation must be made available to the Comptroller's office required in the manner. See Texas Administrative Code, Chapter 34, Section 5.51(e)(2)-(3).

Recommendation/Requirement

The Board must exercise caution in its use of state funds and ensure its expenditures are fiscally responsible. The Board should update its policies and procedures in order to implement a cost analysis policy to ensure it uses the most cost efficient method of travel. The implementation of this cost analysis should be made subject to prior approval by management and focus on selecting contracted hotels with rates, accommodations, services, and amenities: for instance, free parking, which meets both state reasonable quality of service expectations as well as conservation of funds criteria.

Board Response

All Board members have been instructed on using rental cars from companies on state contract when traveling to Board meetings rather than using personal vehicles. We also conducted an experiment and had members compare rental rates to personal vehicle travel costs when traveling to Board meetings. It was learned that in most cases, the cost were equal. There were some members who did not have access to the rental car companies on contract with the state and would have to first travel to a nearby city in order to be able to rent a vehicle.

We have also shared this information with the members of the three advisory committees and have asked them to use rental vehicles when possible.

Additional information is being prepared for presentation to Board members and committee members that explain what expenses are permissible when traveling for Board business.

Comptroller Response

The Board should adopt a cost analysis and conservation of funds policy and should evaluate travel costs on case by case basis.

DETAILED FINDINGS — INTERNAL CONTROLS

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations the Board placed on its accounting staff's abilities to process expenditures. We reviewed the Board'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 Board had two employees who could process and release payrolls through USAS without oversight. One employee could also adjust payment instructions in TINS, pick up warrants from the Comptroller's office and approve vouchers without oversight due to the fact that the Board has only five full-time employees. We ran a report to determine if any of the Board's payment documents were processed through USAS or USPS during the audited period because of the action of only one individual. The report identified one expenditure totaling \$77.28 processed without oversight. We reviewed this transaction's voucher and all its documentation and confirmed that the payment was valid.

To reduce risks to state funds, the Board 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 Board should review the controls over expenditure processing and segregate each task to the maximum extent possible, even with the limitations an agency of its size encounters. The Board must ensure that no individual is able to process payments without oversight. The Board should 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. See [USAS Accounting and Payment Control \(FPP B.005\)](#) about reducing risk to state funds.

Board Response

A request has been submitted to the Board's ACO to change the Board's profile. This change will result in a warning message appearing as a reminder when one individual is trying to process all aspects of a transaction.

Internally, we will ensure that one authorized staff member does not handle all aspects of a transaction.