

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of Texas Legislative Council



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Legislative Council's (Council) 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 Council 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 Council should implement the recommendations listed in the Detailed Findings of this report. It is the Council'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 Council's documents comply in the future. The Council 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:

- Missing prior state service form/Longevity payment amounts incorrect.

A limited sample of voluntary contributions was also audited and no errors were identified.

Purchase transactions

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

- No issues were identified.

Travel transactions

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

The audit identified:

- Advance payment made improperly.
- Improper payment of taxes/surcharges.

Security

The audit included a security review to identify any of the Council's employees with security in USAS 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 Council's internal control structure was reviewed. The review was limited to obtaining an understanding of the Council's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- One employee can process and release payments through USAS without oversight.

Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the State Property Accounting (SPA) System and the Council's internal system. The disposed assets report listed seven assets as missing or stolen with a net book value of \$2,820.02. The thefts of the assets were reported to the police and police records were obtained.

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Council's payroll, purchase and travel transactions was concluded on Feb. 17, 2012.

The audit identified:

- Employees who can process and release payments in USAS.

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DETAILED FINDINGS — PAYROLL

Missing Prior State Service form/Longevity Payment Amounts Incorrect

Finding

In our review of the Council's payroll transactions, we identified two employees who did not have prior state service documentation in their personnel files, but the employees indicated prior state employment on the job application. The Council did not verify this service at the time of initial employment. The Council explained that it regularly reviews employee job applications and in these cases, it was due to oversight. Because of this audit, the Council obtained documentation of the prior state service and entered the additional service dates in USPS for the affected employees. Both employees received additional state service credit. As a result, both were owed longevity pay. The total combined longevity underpayment amount for the two employees was \$540. The findings were identified outside of the audit sample.

Prior state service documentation is necessary to verify employees' state service and the accuracy of longevity payments. Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made from the agency's funds. The Comptroller's office may require documentation 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 Council received the payroll schedule during the audit. The schedule is not included with this report due to confidentiality issues.

Recommendation/Requirement

The Council must ensure that all prior state service is properly verified and documented for its employees. The Council must ensure that its internal operating procedures include quality control measures that will identify all prior state service indicated by a state employee. The Council must promptly correct the underpayments through a supplemental payroll. See Texas Administrative Code, Chapter 34, Section 5.40(c)(2014).

Council Response

The Council has added additional quality control measures that will help identify all prior state service indicated by a state employee. The Council promptly corrected the underpayments.

DETAILED FINDINGS — TRAVEL

Advance Payment Made Improperly

Finding

We identified one travel transaction where the employee requested reimbursement for a registration fee prior to the conference actually taking place. The employee paid for registration for a conference with personal funds in order to be assured enrollment at the conference. The employee then requested reimbursement from the Council prior to actually attending the conference. The employee should not seek a reimbursement of travel expenses prior to actually incurring the travel expense. According to Texas Administrative Code, Chapter 34, Section 5.22(b), a travel expense must be incurred before it is eligible for reimbursement.

The Council stated that this was an oversight. The amount of the reimbursement was \$1,599.

Recommendation/Requirement

The Council should ensure that all requests for reimbursements are properly reviewed for validity and accuracy and to ensure they are in compliance with all applicable regulations and limitations.

Council Response

The Council has implemented additional controls and procedures to prevent this type of finding from happening in the future.

Improper Payment of Taxes/Surcharges

Finding

We identified two travel reimbursements for expenses that were not payable. On one voucher, a hotel service fee and an additional state tax for four nights totaling \$4.32 was charged to the employee's lodging receipt by the lodging establishment. The Council did not provide documentation or explanation as to what this fee and extra tax was for. On another travel voucher, the employee incurred a \$27.92 fee for "preferred seat" on an airline. The Council could not provide a business reason for this expense. Pursuant to Government Code, Section 660.002, a state employee is entitled to be reimbursed for incidental expenses when they are incurred for a state business reason. The Council stated that they reimbursed the expenses because of oversights.

Recommendation/Requirement

The Council should increase training for the individuals who review travel vouchers to ensure that only eligible expenses are reimbursed. The Council must seek a reimbursement from the employees unless it determines it is not cost effective to do so.

Council Response

The Council continues to review all travel reimbursements for accuracy and completeness prior to payment. The Council has determined that it is not cost effective to seek reimbursement from the employees.

Comptroller Response

The Council should contact the Comptroller's office, Expenditure Audit section, to arrange travel training for its employees.

DETAILED FINDINGS – EXPENDITURE APPROVAL

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Council placed on its accounting staff's ability to process expenditures. We reviewed the Council's security in USAS, USPS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on Feb. 12, 2016. We did not review or test any internal or compensating controls the Council may have relating to USAS, USPS or TINS security or internal transaction approvals.

One employee can process and release payments through USAS without electronic oversight. The Council was provided with a schedule of this finding during fieldwork.

We ran a report to determine if any of the Council's payment documents processed through USAS and USPS during the audit period because of the action of only one person. The report identified one document totaling \$134.95 that processed without oversight. The payment reviewed was a valid expenditure.

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

Recommendation/Requirement

The Council 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. The Council should request that a preventative control be enforced for all of its 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 \(FPP B.005\)](#).

Council Response

The Council will implement additional controls to ensure that no individual is able to process payments without oversight.