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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Juvenile Justice Department (Department) payroll, purchase, travel and grant transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning March 1, 2015 through Feb. 29, 2016, to determine compliance with applicable state laws. The Department is the product of a merger between the Texas Youth Commission and the Texas Juvenile Probation Commission.

The Department 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 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 (Payroll Resource) and other pertinent statutes.

The audit identified:

- Thirteen employee files missing personnel action forms (PAF).
- Eight records missing prior state service verifications (PSSV).
- Five incorrect longevity payments.
- One incorrect vacation lump sum payment.

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 the State of Texas Contract Management Guide (Contract Management Guide) and other pertinent statutes.
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The audit identified:

- Two contracts missing dated centralized master bidders list (CMBL) solicitations.
- Two contracts missing electronic state business daily (ESBD) postings.

Travel transactions

Travel transactions were audited for compliance with the GAA, Textravel and other pertinent statutes.

- No issues were identified.

Grant transactions

A limited review of the Department’s transactions relating to grant payments was conducted as a part of our purchase sample. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Department’s procedures for awarding the grants or monitoring payments made to the payees; therefore, no opinion is offered on those procedures. Grant transactions were also audited for compliance with the GAA, the Uniform Grant Management Guide, eXpendit, the State of Texas Procurement Manual, the Contract Management Guide and other applicable statutes.

- No issues were identified.

Prompt payment and payment scheduling

We audited the Department’s compliance with the prompt payment law and scheduling rules.

The audit identified:

- Six purchase and 10 travel transactions did not pay interest when due.

Security

The audit included a security review to identify any Department employees with security in USAS, USPS 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.

Third-Party transactions

The audit included a review of several third-party transaction reports used to test compliance with a wide variety of topics. Among these was the PCard Invoice Number & Description report, which registers data related to payment cards that may show confidential information.

The review identified:

- Forty transactions with incorrect data in the invoice number field.
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:

• One employee with the ability to process and release payments in USAS without oversight.

As a routine part of our security review, we reviewed the Department’s compliance with the requirement that all agency users of the Comptroller’s office state governmental accounting systems complete a Confidential Treatment of Information Acknowledgement (CTIA) form.

The audit identified:

• The Department did not have completed CTIA forms for three employees.

Fixed assets

The audit included a review of a limited number of fixed assets acquired by the Department during the audit period to test for accurate reporting in the State Property Accounting System (SPA) and to verify existence, location and proper reporting of the fixed assets.

• No errors were identified.

Prior post-payment audit and current audit recurring findings

We conducted prior post-payment audits of the two prior agencies now integrated under the Department, the Texas Youth Commission on June 27, 2012 and Texas Juvenile Probation Commission on June 27, 2012.

During the current audit, the following recurrent findings were identified:

• Missing prior state service verification (PSSV).
• Incorrect longevity payment.
• Prompt payment issues.

Contact:
Alberto Lañas, MBA, CTCM, CTPM, CTP
512-463-4582

Contributing Auditors:
Anna Calzada
Steve Tamez
Eunice Miranda
DETAILED FINDINGS — PAYROLL

Missing Personnel Action Form

Finding

During our review of the Department’s personnel files, we identified 13 instances where, due to an oversight, the Department did not create a PAF for individuals who received a salary increase. Because of a large number of simultaneous salary actions, the Department created a spreadsheet listing all the employees who received a salary increase with the same effective date. The audit revealed that the spreadsheet had the original signature of the employee authorized to approve PAFs, but the specific date of the approval signature was missing. It is important that the authorized individual enters the approval date of the salary action because this helps establish whether the salary action occurred during the authorized time period.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency’s funds. The Comptroller’s office may require the documentation be made available during a post-payment audit, a pre-payment audit or at any other time. A PAF is an internal document that the Department is required to use to record salary actions. The PAF must include the original signature and the date of the signature of an employee authorized by the agency to approve personnel actions on its behalf. See Texas Payroll/Personnel Resource — General Provisions.

Recommendation/Requirement

The Department should update its procedures to create a PAF for each employee who receives a salary increase and should include a date with the approval signature. All salary adjustments should be properly documented and maintained.

Department Response

Management concurs with the recommendation. TJJD Human Resources will generate a payroll action form for each employee when salary actions occur. The payroll action form will include the appropriate signatures with dates and will be maintained in the employee’s personnel file.

Responsible party: Royce Myers, Director of Human Resources
Missing Prior State Service Verification/Incorrect Longevity Payment

Finding

During our review of the selected sample of payroll transactions, we identified two personnel files missing the prior state service verification (PSSV) information due to an oversight. Outside of the sample, we also identified six employees with incorrect state effective service dates in USPS as a result of not having prior verifications. These issues occurred due to oversight; the employees did not include these jobs either on their job applications or resumes when they were hired by the Department. However, the employees did indicate on other documents in their HR files that they had prior state service.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency’s funds. The Comptroller’s office may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time. See Texas Payroll/Personnel Resource – Required Documentation.

During the fieldwork, the Department obtained the PSSV forms and entered the information in USPS. In five of the eight cases, the modification of the state effective service date resulted in a changed amount of longevity payments. Two other employees had recently been employed at the Department and were not yet eligible to receive longevity pay; no pay adjustments were necessary. The eighth employee was not eligible for longevity pay because the employee received hazardous duty pay instead. The prior state service date adjustments did not affect this employee’s hazardous duty payment. The total combined amount of longevity pay underpayment for the eight employees was $2,120.

When an agency hires an employee, the agency must research whether the employee has prior state service. If prior state service, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See Texas Payroll/Personnel Resource — Longevity Pay.

We provided the Department with the schedules and calculations of the incorrect payment amounts. They are not included with this report due to confidentiality issues.

Recommendation

The Department should ask all new employees if they have any prior state service as part of the Department’s new hire process, and document the employee’s answer to this question. The Department should review the employees’ response and contact any agencies identified for prior state service verification. The Department should review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to an employee. See Texas Administrative Code, Chapter 34, Section 5.40(c). The Department should also caution its employees to verify all totals submitted.
Department Response

Management concurs with the recommendation. TJJD Human Resources has updated processes in an effort to collect all information from each new employee regarding prior employment with state agencies and institutions of higher education. On July 13, 2016, email instruction was sent to TJJD Human Resources staff reminding them to be diligent in the collection of prior employment information and the importance of reviewing all records available to the agency. In addition, the prior state service information form completed by each new employee was updated on Sept. 1, 2016, to include additional questions regarding past periods of employment with institutions of higher education and past periods as paid interns or paid student workers.

Responsible party: Royce Myers, Director of Human Resources
Incorrect Vacation Lump Sum Payment

Finding

We identified one instance where a terminated employee’s lump sum payment for accrued vacation time was incorrectly calculated, resulting in underpayment of $86.49 to the employee. According to the Department, this miscalculation was due to an oversight.

The balance of the accrued vacation time must be completely allocated over the workdays following the effective date of the employee’s separation from state employment. 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.

We provided the Department with the schedules and calculations of the incorrect payment amounts. They are not included with this report due to confidentiality issues.

Recommendation

We recommend the Department enhance its internal controls to prevent incorrect payments of accrued vacation time.

Department Response

Management concurs with the recommendation. Processes for reviewing lump sum partial pay calculations have been reviewed with payroll staff, and management will provide employees with refresher training on this topic on a periodic or as-needed basis. In addition, all future calculations will be performed by two payroll employees for verification purposes.

Responsible party: Marcus Recek, Lead Payroll Accountant
DETAILED FINDINGS — PURCHASE

Missing the Central Master Bidders List Solicitation

Finding
The Department did not perform a search on the CMBL of all eligible suppliers for two contracts prior to them being awarded. The Department stated that it was due to an unintentional oversight that they did not have the CMBL profile printout listing of all eligible suppliers, dated prior to the contract being awarded.

The CMBL is a database of registered vendors who have provided contact information, as well as a list of the goods and services they offer. Vendors pay a nominal annual fee to receive notification of opportunities for solicited commodities and/or services through an invitation for bid, request for proposal, request for offer or request for qualifications. Unless exempted by law, the CMBL must be used for all procurements subject to the authority of the Statewide Procurement Division (SPD), formerly Texas Procurement and Support Services Division. The CMBL must also be used to gather information for non-competitive procurement processes and vendor performance data.

Agencies must print the awarded vendor’s CMBL profile showing the expiration date for file documentation. See the State of Texas Procurement Manual, Section 2.24. Proof that the CMBL system was checked prior to any award or contract renewal being made by state of Texas government entities must be obtained. See Texas Government Code, Sections 2155.263-2155.264 and Texas Administrative Code, Chapter 34, Section 20.34(g).

Recommendation/Requirement
To ensure to the rules and laws that govern procurement practices are followed, the Department should use the CMBL for all purchases, including services, for which competitive bidding or competitive sealed proposals are required. A copy of the CMBL search results from the specified website should be used as evidence that the Department performed a vendor search and must be included in the contract file.

Department Response
Management concurs with the recommendation. Procedures have been developed and checklists created for contract and PO files to ensure that all files identify the required supporting documentation. Procedures and checklists will be finalized by Dec. 31, 2016. When future contracts are routed for approval, the Director of Contracts will review the checklists and files to ensure all required documentation was obtained and is included. All procurement personnel have received training on the guidelines for a compliant delegated purchase. Management will provide additional training on this finding as a part of regular contracts and procurement training.

Responsible party: Kenneth Ming, Director of Business Operations and Contracts
Missing Electronic State Business Daily Posting

Finding

The Department did not meet the solicitation advertisement requirements for two contracts. The procurement file did not contain proof or verification of the posting on the ESBD for a contract over $25,000.

The SPD requires each agency to post notices for all solicitations $25,000 or more on ESBD. State agencies are required to advertise a complete solicitation package (including all parts, exhibits and attachments) for a minimum of 14 days or 21 days for procurement where the entire solicitation package cannot be posted if it is lengthy or complex.

In accordance with Texas Government Code, Section 2155.083 and Texas Administrative Code, Chapter 34, Section 20.212, the requirement to advertise solicitations by posting on the ESBD applies to all purchases exceeding $25,000 regardless of source of funds. This requirement includes delegated purchases, emergency, construction projects, professional or consulting services, proprietary purchases or purchases exempt from SPD purchasing authority.

The Department stated that due to an oversight it did not post the required notice to the ESBD database.

Recommendation/Requirement

The Department should strengthen its controls to ensure that any contract over $25,000 is posted for the proper duration. Failure to post a qualifying purchase for the mandatory duration of time could void the contract.

Supporting documentation for a purchase document should be made available in an audit to justify the validity of the payment. The Department should ensure that it retains adequate supporting documentation for all expenditures prior to processing the payment.

Department Response

Contract Posting: Management concurs with the recommendation. CAPPS PO workflow has been developed and all POs over $15,000 are now approved by the Director of Business Operations and Contracts. Checklist documentation described below will indicate whether the contract was posted for 14 or 21 days to ensure proper duration.

Supporting Documentation: Management concurs with the recommendation. Procedures have been developed and checklists created for contract and PO files to ensure that all files identify the required supporting documentation. Procedures and checklists will be finalized by Dec. 31, 2016. When future contracts are routed for approval, the Director of Contracts will review the checklists and files to ensure all required documentation was obtained and is included. All procurement personnel have received training on the guidelines for a compliant delegated purchase. Management will provide additional training on this finding as a part of regular contracts and procurement training.

Responsible party: Kenneth Ming, Director of Business Operations and Contracts
Prompt Payment And Payment Scheduling Errors

Finding

According to the prompt payment law, Texas Government Code, Section 2251.021(a), a governmental entity’s payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller’s office computes and automatically pays any interest due under the prompt payment law when the Comptroller’s office is responsible for paying the principal amount on behalf of the agency. See Texas Government Code, Section 2251.026.

During the audit period, the Department paid vendors $9,123.03 in prompt payment interest. In our purchase sample, we identified six purchase transactions as well as 10 direct billed travel transactions that were paid late. Interest of $700.49 was not paid to the vendors because incorrect dates were recorded in USAS. According to the Department, these errors occurred due to an oversight when processing the payments.

Recommendation/Requirement

The Department should review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the Department should verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors. See eXpendit — Prompt Payment and eXpendit (FPP I.005).

Department Response

Management concurs with the recommendation. Agency policies and procedures have been reviewed and are adequate. By Dec. 31, 2016, staff will receive refresher training regarding this requirement, and staff will be instructed to force pay interest on direct-billed travel transactions not entered in accordance with the prompt payment law.

Responsible party: Christi Goods, Manager, Accounts Payable and Travel
**Detailed Findings — Third-Party Transactions**

**Incorrect Data in the Invoice Number Field**

**Finding**

We identified 40 payment card transactions in which the correct information was not entered into the invoice number field in USAS. The invoice number field must display the last 10 digits of the corporate account billing number. This allows payees to be able to identify and reconcile payments they receive from the Department. See *USAS and CAPPS Financials Invoice Number Field Requirements (FPP E.023)*.

The Department stated that it was unaware of the requirements regarding the invoice number field.

**Recommendation/Requirement**

The Department should enter the last 10 digits of the corporate account billing number in the invoice number field for all payment card transactions. The Department may enter additional information in this field after these digits, if desired.

**Department Response**

*Management concurs with the recommendation. Staff will be provided refresher training by Dec. 31, 2016, to ensure corporate account billing numbers appear on payments as required.*

*Responsible party: Christi Goods, Manager, Accounts Payable and Travel*
Control Weakness Over Expenditure Processing/Confidential Treatment Information Acknowledgment (CTIA) Form Missing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations the Department placed on its accounting staff’s abilities to process expenditures. We reviewed the Department’s security for USAS, USPS, and Texas Identification Number System (TINS) as well as the voucher 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 Department had one employee who could process and release USPS through payrolls without supervision. The Department stated this issue occurred due to an oversight. We ran a report to determine whether any of the Department’s payment documents processed through USAS during the audited period because of the action of only one individual. The report did not identify any expenditure that processed without oversight.

To reduce risks to state funds, the Department should ensure each accounting task is segregated to the greatest extent practical. Ideally, no individual should be able to process transactions without another person’s involvement.

As a routine part of our security review, we evaluated the Department’s compliance with the requirement that all agency users of Comptroller statewide financial systems must complete a CTIA form. Agencies are custodians of confidential information. The unauthorized disclosure of that information must be avoided. See Texas Government Code, Sections 552.352–552.353. When a new user needs access to Comptroller statewide financial systems, the agency’s security coordinator must first have the user read and sign the CTIA form. A reviewing official also signs the form, which the agency’s security coordinator keeps on file for as long as the user has access to the systems, plus five years. In our review, we identified three CTIA forms missing. The Department stated that due to the merger creating the Department, these documents were lost.

Recommendation/Requirement

The Department should periodically review the controls over expenditure processing and segregate each task to the extent possible, even with the agency size limitations, to ensure no individual is able to process payments without oversight. The Department should request that a preventive 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.

The Department should enhance its procedures to ensure that no user gains access to the statewide financial systems without a timely and properly completed CTIA form. As a result, the Department should immediately have employees whose forms are missing sign new ones.
Department Response

Expenditure Controls: Management concurs with the recommendation. Beginning with fiscal 2017, the Security Administrator and Director of Fiscal Affairs will review USAS and USPS roles annually to ensure proper separation of entry and release roles. In addition, the USAS control noted above was requested on Nov. 29, 2016.

Responsible party: Emily Anderson, Director of Fiscal Affairs

CTIA Forms: Management concurs with the recommendation. The security team has obtained newly signed forms for current employees whose forms were missing and will document the missing form for the former employee. Procedures have been improved for future access requests to the Comptroller’s office provided resources as well as to ensure proper accounting for the forms associated with separating employees. All account management personnel have reviewed the updated procedures.

Responsible party: Jim Southwell, Chief Information Officer