Post-Payment Audit of the Sunset Advisory Commission
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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Sunset Advisory Commission (Commission) 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 June 1, 2015, through May 31, 2016, to determine compliance with applicable state laws.

The Commission 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 Commission should implement the recommendations listed in the Detailed Findings of this report. It is the Commission’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 Commission’s documents comply in the future. The Commission 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 longevity pay.

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 and other pertinent statutes.

- No issues were identified.

Travel transactions

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

- No issues were identified.
Security

The audit included a security review to identify any of the Commission’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employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked.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 security can be revoked in a timely manner.

- No issues were identified.

Internal control structure

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

The audit identified:

- Three employees had the ability to process and release payments through USAS.
- Two employees could process and release payrolls.
- Two employees could process and release payments between the Commission’s internal system and USAS.
- One employee had the ability to adjust payment instructions in Texas Identification Number System (TINS) and approve vouchers.
- One employee could pick up warrants from the Comptroller’s office and approve paper vouchers.

Fixed assets

The audit included a limited number of fixed assets acquired by the Commission during the audit period. Their physical existence and use for state business was verified. All assets tested were in their intended location.

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Commission’s payroll, purchase and travel transactions was concluded on April 27, 2012.

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

- Incorrect longevity pay.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Incorrect Longevity Pay

Finding

We identified one employee that noted prior state service on their job application but did not receive credit for this time in USPS. As a result of the audit, the Commission reviewed and credited the employee for the additional prior state service time.

The Commission’s procedures include obtaining prior state service verifications whenever an employee indicates prior state service on their application. In this instance, the Commission stated that the additional service time was overlooked at time of hire. The additional service time resulted in an underpayment of longevity pay in the amount of $1,180. The total amount of the underpayment is outside of the audit period. As a result of the audit, the Commission verified the additional prior state service, made the required adjustments and compensated the employee for the longevity pay underpayment.

When an agency hires an employee, the agency must research if the employee has prior state service. If there is 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 the Texas Payroll/Personnel Resource – Longevity Pay.

We provided the Commission with the calculation of the longevity underpayment during fieldwork. The calculation is not included with this report due to confidentiality issues.

Recommendation/Requirement

The Commission must review each employee’s job application for prior state service for all current and new employees and ensure that the prior state service is properly recorded. The Commission must compensate the employee for the underpaid amount.

Commission Response

*We agree with the finding on longevity pay and have compensated the former employee the $1,200 he was underpaid both through the Miscellaneous Claims process and agency payment process.*
DETAILED FINDINGS — INTERNAL CONTROL

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Commission placed on its accounting staff’s ability to process expenditures. We reviewed the Commission’s security in USAS, USPS, TINS and voucher signature cards that was in effect on Nov. 18, 2016. We did not review or test any internal or compensating controls that the Commission may have relating to USAS, USPS or TINS security or internal transaction approvals.

During the audit period, the Commission had three employees with multiple security capabilities. All three employees can both process and release payments through USAS without oversight. Two of these employees can process and release payrolls and process and release payments between the Commission’s internal system and USAS. In addition, one employee could pick up warrants from the Comptroller’s office and approve paper vouchers, and one employee can adjust payment instructions in TINS and approve vouchers. The Commission received a schedule of this finding during fieldwork. The Commission stated that this will continue to be a recurring audit finding due to the size and structure of the agency.

We ran a report to determine if any of the Commission’s payment documents processed through USAS and USPS during the audit period because of the action of only one person. The report identified three documents totaling $1,445.32 that processed without oversight. The payments were reviewed during the audit and determined to be valid expenditures.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates 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 and approve paper vouchers without another employee’s involvement.

Recommendation/Requirement

The Commission should segregate each task to the extent possible to ensure that no individual is able to process payments without oversight and another person’s involvement.

The Commission must limit access at the time security is being set up (96A screen) by limiting user access to either Enter/Change voucher or Release/approve batch. The Commission should elect to have the document tracking control edit on the Agency Profile (D02) set to either prevent a user from releasing a batch that the same user entered or altered for the agency or warn the user when the same user attempts to release his or her own entries or changes, and have another individual review and process those transactions.

See USAS Accounting and Payment Control (FPP B.005).
The Commission must work with the Comptroller’s Fiscal Management Division security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.

The Commission must ensure that employees with voucher/payment entry/change/delete status in the Commission’s internal system who also have release status in USAS are not able to also approve/release payments in the internal system or in USAS. A supervisor or another employee should approve vouchers in the internal system.

The Commission must limit user access by removing the user from the Expedite Pick Up List or removing the ability to release/approve vouchers in USAS from the user.

Commission Response

Regarding the controls over release of expenditures, we agree and are implementing your suggestion regarding the Risky Document Report from USAS. The director or the deputy director will continue to review and approve/release all payrolls. It should be noted that due to the small size of Sunset’s business staff of only two people, it is difficult to fully segregate all entries and releases; however, we have internal controls in place whereby no one person may enter and release any type of payment transaction.