# Executive Summary

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## Detailed Findings — Purchase

- **Purchase Order (PO) Created After Invoice Received**
  
## Detailed Findings — Travel

- Incorrect Mileage
- Lack of Conservation of State Funds
- Missing Documentation

## Detailed Findings — Internal Controls

- Control Weakness Over Expenditure Processing
EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Board of Podiatric Medical Examiners (Board) 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 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.

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, the State of Texas Contract Management Guide and other pertinent statutes.

The audit identified:

• Twelve purchase orders were created after the invoices were received.
Travel transactions

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

- Thirteen transactions included incorrect mileage calculations.
- Lack of conservation of funds on one travel reimbursement.
- One transaction was not supported by required documentation.

Security

The audit included a security review to identify any of the Board’s 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 security can be revoked in a timely manner.

- No issues 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 audit identified:

- Three employees had the ability to process and release payments in USAS, process and released payrolls, and pick up warrants from the Comptroller’s office and approve vouchers without oversight.

Prompt payment and payment scheduling

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

- No issues were identified.

Fixed assets

The audit included a limited number of fixed assets acquired by the Board during the audit period. Their physical existence and use for state business was verified. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System.

- No issues were identified.
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 Feb. 29, 2012.

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) Created After Invoice Received**

**Finding**

We identified 12 instances where the PO was created after the invoice was received. The Board’s procedures mandate the creation of a PO before goods or services are ordered, but this practice was not followed in these transactions due to an oversight.

Without a PO with the vendor at the time the goods or services were ordered, it becomes difficult to ensure the state agency was not overcharged or billed for goods or services beyond those it agreed to purchase beforehand. See Texas Administrative Code, Chapter 34, Section 5.51(c)(1)(D), which states that it is the general responsibility of a state agency and its officers and employees to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.”

**Recommendation/Requirement**

While a formal PO is not always required, documentation of the agreement must be prepared at the time the goods or services are ordered from the vendor. The PO needs to include the terms, conditions and specifications to which the vendor must comply in fulfilling its obligations to the agency as well as any vendor exceptions which have been accepted. The PO number must be referenced on all bills of lading, packing slips, back orders, invoices and other transaction documents.

**Board Response**

*The Board agrees with this Finding and will make improvements as recommended/required. Be advised, since June 3, 2015, the Board has been undergoing its sunset review. On Jan. 11, 2017, the Sunset Commission voted unanimously to transfer the functions of the TSBPME to the Texas Department of Licensing and Regulation (TDLR) effective Sept. 1, 2017. Consolidation within TDLR’s – Health Professions Division would benefit all Texans through business transformation towards quality and efficient services, along with business continuity within a much larger agency for the regulation of the practice of podiatric medicine. Our (identical) sunset consolidation bills (to TDLR) were filed on March 7, 2017, (HB 3078/Thompson & SB 318/Schwertner/Hinojosa/Nichols/Taylor, Van/Watson). For the interim, should the 85th Legislature leave the Board as an independent agency, the Board’s Staff Services Officer II & Backup Security Coordinator, have registered for the following Comptroller’s office training courses to remedy all issues identified throughout this audit, and for overall improvements/strengthening of agency functions: 1) USPS Leave Accounting, 2) Prompt Payment & Payment Scheduling, 3) Comptroller Expenditure Object Code Workshop, 4) SPA Core Training, 5) Basic Expenditure Processing & Documentation, 6) Advanced Expenditure Processing & Documentation and 7) CPA Texas Procurement Certification Training. Board staff will also continue to work with accounting staff at the Texas Board of Nursing (TBON) to rectify all issues.*
DETAILED FINDINGS — TRAVEL

Incorrect Mileage

Finding

We identified 13 travel transactions where the Board reimbursed travelers for transportation mileage costs incurred while conducting official state business. However, we were unable to determine whether the mileage claimed on each reimbursement request was accurate because the origin and the destination of the trips registered were too vague. We observed that the Board lacks an internal policy identifying which mapping service its travelers must use to estimate mileage. The Board stated these omissions occurred due to an oversight of the applicable rules.

A state employee is entitled to be reimbursed for mileage incurred to conduct state business, according to Texas Government Code, Section 660.041. The number of reimbursable miles may not exceed the actual number of miles traveled for business between two duty points. When determining the most cost effective route, a state agency must consider the route that provides the shortest distance, the quickest drive time or the safest road conditions. The point-to-point mileage itemization must be documented by an employee’s vehicle odometer reading or a readily available online mapping service must be used. This itemization must be sufficiently detailed for the reimbursing agency to verify the number of miles claimed in a travel voucher. See Textravel — Mileage.

Recommendation/Requirement

The Board must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible considering all relevant circumstances. All agencies must adopt by internal policy one online mapping service to be used by employees. See Textravel — Mileage in Personal Vehicle. The Board must ensure that its travel policies and procedures manual requires travelers to prepare prior to travel a point-to-point itemization mileage estimation, as well as cost comparison of rental car versus the use of a personal vehicle via the official Textravel mileage calculator.

Board Response

The Board agrees with this Finding and will make improvements as recommended/required. Be advised, since June 3, 2015, the Board has been undergoing it’s sunset review. On Jan. 11, 2017, the Sunset Commission voted unanimously to transfer the functions of the TSBPME to the Texas Department of Licensing and Regulation (TDLR) effective Sept. 1, 2017. Consolidation within TDLR’s – Health Professions Division would benefit all Texans through business transformation towards quality and efficient services, along with business continuity within a much larger agency for the regulation of the practice of podiatric medicine. Our (identical) sunset consolidation bills (to TDLR) were filed on March 7, 2017, (HB 3078/Thompson & SB 318/Schwertner/Hinojosa/Nichols/Taylor, Van/Watson). For the interim, should the 85th Legislature leave the Board as an independent agency, the
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Lack of Conservation of State Funds

Finding

We identified one instance where the Board reimbursed a traveler for valet parking while there was a more cost effective alternative. The Board did not have policies and procedures in place that require employees to consider alternatives and select the cheapest available option. The Board stated that this error occurred due to an oversight.

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. The Board must “ensure that each travel arrangement is the most cost effective considering all relevant circumstances.”

Recommendation/Requirement

The Board must exercise caution in its use of state funds and ensure expenditures are fiscally responsible. During our audit, the Board was in the process of updating their travel policies and procedures to implement a cost analysis policy to ensure it uses the most cost-effective method of travel.

Board Response

The Board agrees with this Finding and will make improvements as recommended/required. Be advised, since June 3, 2015, the Board has been undergoing its sunset review. On Jan. 11, 2017, the Sunset Commission voted unanimously to transfer the functions of the TSBPME to the Texas Department of Licensing and Regulation (TDLR) effective Sept.1, 2017. Consolidation within TDLR’s – Health Professions Division would benefit all Texans through business transformation towards quality and efficient services, along with business continuity within a much larger agency for the regulation of the practice of podiatric medicine. Our (identical) sunset consolidation bills (to TDLR) were filed on March 7, 2017, (HB 3078/Thompson & SB 318/Schwertner/Hinojosa/Nichols/Taylor, Van/Watson). For the interim, should the 85th Legislature leave the Board as an independent agency, the Board’s Staff Services Officer II & Backup Security Coordinator, have registered for the following Comptroller’s office training courses to remedy all issues identified throughout this audit, and for overall improvements/strengthening of agency functions: 1) USPS Leave Accounting, 2) Prompt Payment & Payment Scheduling, 3) Comptroller Expenditure Object Code Workshop, 4) SPA Core Training, 5) Basic Expenditure Processing & Documentation, 6) Advanced Expenditure Processing & Documentation and 7) CPA Texas Procurement Certification Training. Board staff will also continue to work with accounting staff at the Texas Board of Nursing (TBON) to rectify all issues.
**Missing Documentation**

**Finding**

We identified one travel voucher where the airfare invoice did not indicate the required information pertinent to the traveling employee, such as ticket number, class, travel dates, origin and destination. The Board did not notice the lack of evidence when reviewing the receipt. Without proper payment documentation, we could not determine whether the payment was an accurate reflection of the expense the traveler incurred. According to the Board, it was an oversight on their part.

For a state employee to be reimbursed for a travel expense, the employee must provide specific facts and figures. See [Travel](#) – Commercial Air Transportation. The reimbursement may not exceed the cost of the lowest available airfare between the employee’s designated headquarters and the employee’s duty point. See Texas Government Code, Sections 660.91 and 660.93.

**Recommendation/Requirement**

The Board must ensure that employees’ travel invoices show adequate payment documentation prior to reimbursement. The Board should obtain an updated receipt from the airfare vendor for the travel voucher unless the Board determines it is not cost effective to do so. The Board must ensure that all travel reimbursements are properly reviewed at the time of payment to ensure compliance with all applicable regulations and limitations.

**Board Response**

The Board agrees with this Finding and will make improvements as recommended/required. Be advised, since June 3, 2015, the Board has been undergoing it’s sunset review. On Jan. 11, 2017, the Sunset Commission voted unanimously to transfer the functions of the TSBPME to the Texas Department of Licensing and Regulation (TDLR) effective Sept. 1, 2017. Consolidation within TDLR’s – Health Professions Division would benefit all Texans through business transformation towards quality and efficient services, along with business continuity within a much larger agency for the regulation of the practice of podiatric medicine. Our (identical) sunset consolidation bills (to TDLR) were filed on March 7, 2017, (HB 3078/Thompson & SB 318/Schwertner/Hinojosa/Nichols/Taylor, Van/Watson). For the interim, should the 85th Legislature leave the Board as an independent agency, the Board’s Staff Services Officer II & Backup Security Coordinator, have registered for the following Comptroller’s office training courses to remedy all issues identified throughout this audit, and for overall improvements/strengthening of agency functions: 1) USPS Leave Accounting, 2) Prompt Payment & Payment Scheduling, 3) Comptroller Expenditure Object Code Workshop, 4) SPA Core Training, 5) Basic Expenditure Processing & Documentation, 6) Advanced Expenditure Processing & Documentation and 7) CPA Texas Procurement Certification Training. Board staff will also continue to work with accounting staff at the Texas Board of Nursing (TBON) to rectify all issues.
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 ability to process expenditures. We reviewed the Board’s security for USAS, USPS, and Texas Identification Number System (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 three employees who could process and release payments through USAS, process and release payrolls, and pick up warrants from the Comptroller’s office and approve vouchers without supervision. The Board stated this issue occurred because it is a small agency with only four employees and it does not have the personnel to distribute duties any further. We ran a report to determine whether any of the Board’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 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 its controls over expenditure processing and segregate each task to the maximum extent possible, even with the limitations of an agency its size. The Board must ensure that no individual is able to process payments without oversight. The Board 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.

Board Response

The Board agrees with this Finding and will make improvements as recommended/required. Be advised, since June 3, 2015, the Board has been undergoing it’s sunset review. On Jan. 11, 2017, the sunset Commission voted unanimously to transfer the functions of the TSBPME to the Texas Department of Licensing and Regulation (TDLR) effective Sept. 1, 2017. Consolidation within TDLR’s – Health Professions Division would benefit all Texans through business transformation towards quality and efficient services, along with business continuity within a much larger agency for the regulation of the practice of podiatric medicine. Our (identical) sunset consolidation bills (to TDLR) were filed on March 7, 2017,
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