

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of the Texas Public Finance Authority



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Table of Contents

Executive Summary

Audit scope.....	i
Payroll transactions	i
Purchase transactions	i
Travel transactions.....	i
Security.....	ii
Internal control structure	ii
Fixed assets.....	ii
Prior post-payment audit and current audit recurring findings	ii

Detailed Findings — Payroll

Incorrect Longevity Payment Amount/Missing Prior State Service Forms	1
--	---

Detailed Findings — Expenditure Approvals

Control Weakness Over Expenditure Processing.....	3
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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Public Finance Authority (Authority) 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 Dec. 1, 2015, through Nov. 30, 2016, to determine compliance with applicable state laws.

The Authority 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 Authority should implement the recommendations listed in the Detailed Findings of this report. It is the Authority'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 Authority's documents comply in the future. The Authority 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

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes. A limited sample of voluntary contributions was also audited.

The audit identified:

- Missing prior state service forms/longevity payment amounts incorrect

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.

The Authority paid \$15,346.83, in prompt payment interest during the audit period.

Travel transactions

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

- No issues were identified.

Security

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

The audit identified:

- Two employees could release payments between internal systems and USAS.
- Three employees could pick up warrants from the Comptroller's office and approve paper vouchers.
- Three employees could process and release expenditures through USAS.

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 Authority's internal system. 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 Authority's payroll, purchase and travel transactions was concluded on Aug. 14, 2013.

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

- Missing prior state service verification form.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Incorrect Longevity Payment Amount/Missing Prior State Service Forms

Finding

In our review of the Authority's payroll transactions, we identified two employees who did not have prior state service documentation in their personnel files. For one of the employees the Authority stated that it had previously requested the verification; however, it was unable to locate the document. The other employee indicated prior state employment on the application which was not verified at the time of initial employment. The Authority stated that the employee had indicated that he was a contract worker while working for the state university. Therefore, no verification was made. As a result of the audit, the Authority obtained documentation of the prior state services during fieldwork. The dates verified for the first employee matched the dates in USPS. The second employee received additional state service credit from the state university resulting in an underpayment of \$1,180 in longevity pay, \$120 of which was within the audit period.

Prior state service documentation is necessary to verify the employee's 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 out of 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](#) and [Texas Payroll/Personnel Resource – Longevity Pay](#).

The Authority received the payroll schedule during the audit. The schedule is not included with this report due to confidentiality issues.

Recommendation/Requirement

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

Authority Response

Upon the discovery that the personnel file for one employee included an omission, the Authority reviewed the matter, verified that an omission had occurred and immediately obtained the prior state service record that was not on file during the onsite portion of the audit. A second employee's file did indicate prior state service except for one position at a state university, which the employee did not realize was state service. The employee's application indicated prior contract work at the state university. TPFA's review determined

that the employee also had prior state service with the same state university. The fact that the prior state service portion was not identified when the employee onboarded at TPFA resulted in an incorrect calculation and an unpaid portion of longevity that was due to the employee. The authorized portion of unpaid longevity has now been paid to the employee and a miscellaneous claim for the remaining unpaid longevity has been submitted to the CPA for payment. Corrective action was taken by the Authority during the onsite portion of the audit to confirm prior service records of all current employees through USPS. Further corrective action was taken by the Authority to include additional language on its prior service request form to include a footnote reminder for new employees to include any, and all, previous employment including previous employment at state universities, whether under contract or otherwise, so that Authority staff may verify whether such employment constitutes prior service. Finally, the Authority has implemented an acknowledgment by the hiring supervisor and new employees confirming that all prior employment history is documented on the prior service form, and further confirming that such information has been verified against the state of Texas Application submitted by the new employee. The Authority believes that this additional cross-check and verification by the hiring supervisor will eliminate future audit findings of this nature.

DETAILED FINDINGS — EXPENDITURE APPROVALS

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Authority placed on its accounting staff members' abilities to process expenditures. We reviewed the Authority's security in USAS, USPS, Texas Identification Number System (TINS) and its voucher signature cards that were in effect on April 4, 2017. We did not review or test any internal or compensating controls that the Authority may have relating to USAS, USPS, or TINS security or internal transaction approvals.

Three employees could process and release payments through USAS, of which two could also process and release payments between the Authority's internal system and USAS. Three employees could pick up warrants from the Comptroller's Office and approve paper vouchers. The Authority received a schedule of this finding during fieldwork.

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 state governmental accounting systems without another person's involvement.

Recommendation/Requirement

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.

We strongly recommend that the Authority implement the following recommendations:

1. The Authority should limit access at the time it is set up (96A screen) by limiting user access to either enter/change vouchers or release/approve batches.
2. The Authority 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. See [USAS Accounting and Payment Control \(FPP B.005\)](#).
3. The Authority should review the preventive and detective controls over expenditure processing discussed in [USAS Accounting and Payment Control \(FPP B.005\)](#), such as the Risky Document Report (DAFR9840) which identifies documents that the same user entered or altered and then released for processing.
4. The Authority should limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the ability to release/approve vouchers in USAS from the user.

Authority Response

To the extent possible, agency policy requires segregation of duties; however, due to both the very small agency workforce and the critical requirement that the agency must pay state debt timely and accurately without exception, it is critical that executive staff maintain the ability to enter and release debt service payments in USAS during extraordinary circumstances (i.e., when inclement weather or other unusual occurrence limit the staff available to perform separate functions). Two of the Authority's executive staff, the Deputy Director and the Director of Business Administration, each possess the ability to enter and release expenditures in USAS. In September 2013, the Authority requested the Risky Document Report (DAFR9840). This DAFR is reviewed by the Executive Director to monitor this practice and, when circumstances dictate that such practice of entering and releasing of documents does occur, to ensure that the details are documented.