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Expenditure Audit Section
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Post-Payment Audit of the State Board of Dental Examiners



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the State Board of Dental 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 Sept. 1, 2015, through Aug. 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.

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:

- Incorrect longevity pay amounts.
- Incomplete/missing documentation.
- Incorrect payment amounts.

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.

The audit identified:

- Purchase order created after invoice received.
- Missing purchase order.
- Procurement process not utilized.

Travel transactions

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

The audit identified:

- Missing invoices.

Direct deposit authorization form

A review was conducted of the Board's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The audit identified:

- Four instances where the employee failed to indicate whether the funds would be forwarded to a financial institution outside the United States.

Special reports

The audit included a review of several third-party transaction reports run before fieldwork to test compliance with a wide variety of requirements. The documents included a payment card invoice number and description report which registers data related to payments that may show confidential information.

The audit identified:

- Fifteen payments with incorrect data in the invoice number field.

Security

The audit included a security review to identify any of the Board's employees with security in USAS, the Texas Identification Number System (TINS) 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.

The review identified:

- One employee retained the security to expend funds after termination/authority expired.

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:

- One employee could pick up warrants from Comptroller's office and approve vouchers.
- One employee could process and release payments through USAS.

- One employee could process and release payrolls.
- Two employees' Confidential Treatment of Information Acknowledgement (CTIA) forms were signed after the connect date.

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.

- 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 Dec. 19, 2012.

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

- Missing documentation – payroll.
- Employee who retained the security to expend funds after termination/authority expired.
- Controls over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Incorrect Longevity Payment

Finding

We identified three employees at the Board with incorrect state effective service dates in USPS resulting in incorrect longevity payment amounts. One employee was part of the payroll sample and the other two employees were identified in a report outside of the sample that listed prior state service. All employees noted the prior state employment on their job applications but did not receive state service credit. These errors resulted in a total underpayment of \$1,160, which was outside the audit sample.

Prior state service documentation is necessary to verify employees' state effective service dates and the accuracy of longevity payments. The Board's payroll policies and procedures manual includes the verification of prior state service whenever an employee indicates prior state service on the job application. The Board stated that the additional service time was overlooked at time of hire. As a result of the audit, the Board verified the additional prior state service, compensated the employees for the underpayments of longevity pay and made the required adjustments to leave accruals.

When an agency hires an employee, the agency must research whether the employee has previous state service. If prior state service exists, 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](#).

Recommendation/Requirement

The Board must continue to review each employee's job application for prior state service to confirm that it is properly recorded to ensure longevity pay increases and leave accruals occur at the correct times.

Board Response

The TSBDE is in the process of reviewing and updating its current policies and procedures as well as current employee payments to ensure correct payment. A state employment verification form has been included when processing a new employee. Any missing personnel action forms will be recreated.

Incomplete/Missing Documentation

Finding

In our review of payroll transactions, we identified seven instances where the Personnel Action Forms (PAFs) were incomplete because they were missing the effective date of the action and the approval signature. The types of actions included terminations, a merit increase and a new hire. In addition, the Board was missing documentation to support an overtime payment and a lump sum payment of vacation time. According to the Board, the original PAFs may have been misfiled and the Board could only provide copies.

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, pre-payment audit, or at any other time. See [Texas Payroll/Personnel Resource](#) – Required Documentation.

Recommendation/Requirement

We recommend the Board review its human resource files and re-create any missing documentation to support all personnel actions for its employees. The Board must ensure that all PAFs are retained in the employees' human resource files.

Board Response

The TSBDE is in the process of reviewing and updating its current policies to ensure that all PAFs are retained in the employee's human resource files. Any missing personnel action forms will be recreated.

Incorrect Payment Amounts

Finding

We identified three Board employees who received incorrect payment amounts. One of the employees was in the audit sample. The other two employees were identified in a report outside the sample that listed incorrect salary payments.

The employee's lump sum payment for accrued vacation time was incorrectly calculated, resulting in an overpayment of \$12.64, which was part of the audit sample. The Board stated that they manually calculated the lump sum payment and entered the incorrect amount on the HUEU1 screen in USPS. The HUEU1 is used for processing other one-time special pays or overrides. See [USPS Process Guide](#) – Other One-time Special Pays and Overrides.

The second employee was paid an amount greater than the salary authorized on the Personnel Action Form (PAF). The Board stated that their intent was to award the employee a merit salary increase effective Aug. 1, 2016 but the salary action was not approved in a timely manner. The Board entered the merit increase in USPS with an effective date of Sept. 1, 2016, but processed a supplemental payroll in Aug. 2016 to pay the employee the amount of the merit increase. In addition to receiving the merit increase amount of \$416.66, the employee incorrectly received a second \$40 longevity payment for the same month, resulting in a total overpayment of \$456.66.

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, pre-payment audit or at any other time. See [Texas Payroll/Personnel Resource](#) – Required Documentation.

The third employee was hired July 5, 2016, and was on Leave without Pay (LWOP) for seven days that month. The employee worked a total of 90.75 hours in July 2016 but was only compensated for 85.75 hours. The partial payment calculation was based on incorrect hours resulting in an underpayment of \$105.65. The Board stated that the error occurred because the individual that processed the payroll misread the employee's timesheet. See [Texas Payroll/Personnel Resource](#) – Partial Payment Calculations.

Recommendation/Requirement

We recommend the Board enhance its internal controls to prevent incorrect payments. The Board should compensate the underpaid employee through a supplemental payroll. In addition, the Board should consider recovering the amounts of overpayment in accordance with [Chapter 666, Texas Government Code](#), unless it determines it is not cost effective to do so.

Board Response

The TSBDE will review its policies and procedures and make the appropriate modifications for calculating payments to terminated employees for accrued vacations, merit increases and leave without pay.

DETAILED FINDINGS — PURCHASE

Purchase Order Created After Invoice

Finding

We identified one instance where the purchase order (PO) was not created until 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 this instance due to employee turnover.

Without a PO with the vendor at the time the goods or services were ordered, it becomes difficult for the vendor to ensure that the state agency obtained the goods or services it agreed to purchase beforehand. See [34 Texas Administrative Code 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, "that 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 with 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 transactional documents.

Board Response

The TSBDE is in the process of reviewing its policies and procedures. Staff has been advised to create purchase orders prior to ordering goods and/or services. TSBDE has an employee working towards procurement certification and required training to ensure the agency remains in compliance.

Missing Purchase Order

Finding

During our audit of purchase transactions, we identified one transaction that was not supported by a PO. The Board's procedures require the creation of a PO prior to obtaining goods and services; however, these procedures were not followed in this instance due to employee turnover.

A PO is a contract entered into between the Board and vendor. When the Board enters into a contract for goods or services with a vendor, expenditures under the contract may not exceed the established limit. Without a PO, it becomes difficult for the Board to ensure it was not overcharged or billed for goods or services beyond those the Board agreed to purchase. Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the intended purchases made. Proper documentation must be maintained to verify that payments are valid and to ensure a proper audit trail.

As provided by [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of a state agency and its officers and employees to ensure, "that for each purchase document, the agency maintains necessary documentation for proving each payment resulting from the document is legal, proper, and fiscally responsible."

Recommendation/Requirement

The Board must ensure that documentation of the purchase is prepared at the time the goods or services are ordered from the vendor. Once the Board has processed a final approved PO with the vendor, the Board may not pay any amount in excess of the agreed-upon amount unless the PO is amended due to the vendor providing a new benefit to the Board.

Board Response

The TSBDE is in the process of reviewing its policies and procedures to ensure that documentation of the purchase is prepared at the time the goods or services are ordered from the vendor. Staff has been advised to document reasons for differences between approved purchase orders and payment amount or amend the purchase order.

Procurement Process Not Utilized

We identified one transaction where the Board did not use the correct procurement process as required by the [State of Texas Procurement Manual](#). The following items were missing from the contract file:

- Proof that Centralized Master’s Bidders List (CMBL) vendors were solicited.
- Supporting bid documentation.
- Missing System for Award Management (SAM) search documentation.
- Missing Department of Information Resources (DIR) exemption.

Finding – Missing CMBL Solicitation Documentation

The Board could not provide the documentation necessary to support its procurement process. The Board was unable to provide proof that CMBL vendors were solicited. The Board stated it was aware that it must ensure all bids are tabulated and documentation related to the procurement process is retained, but this practice was not followed due to employee turnover.

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 statewide procurement authority. The CMBL must also be used to gather information for noncompetitive procurement processes. Agencies must print the awarded vendor’s CMBL profile showing the expiration date for file documentation. Proof that the CMBL system was checked prior to any award or contract renewal being made by state of Texas must be maintained. See [Texas Government Code Sections 2155.263](#) and [2155.264](#), and [34 Texas Administrative Code Section 20.107 \(b\)\(c\)](#).

Recommendation/Requirement

All agencies and institutions of higher education must use the CMBL for all purchases, including services for which competitive bidding or competitive sealed proposals are required. The Board must maintain evidence that the CMBL vendors were contacted and included in the contract file, as well as the bid tabulation that supports the contracted vendor selection.

Board Response

The TSBDE is in the process of reviewing its policies and procedures. Staff has been advised to follow procedures and use the CMBL for all purchases, including services for which competitive sealed proposals are required prior to ordering goods and/or services. TSBDE has an employee working towards procurement certification and required training to ensure the agency remains in compliance.

Finding – Bid and Evaluation Criteria Not Followed

We identified one transaction where the Board did not have documentation to prove that it followed procurement procedures by obtaining bids from multiple vendors. Also, bid tabulations were missing. The Board stated it was aware that it must ensure all bids are tabulated and documentation related to the procurement process is retained, but this practice was not followed due to employee turnover.

The bid or proposal solicitation document is the first official evidence to the vendor community that an ordering entity intends to procure a good or service. The solicitation document serves as the official instructions explaining the ordering entity's requirements and how the vendor(s) will be selected. It is imperative that the agency include terms and conditions specific to the agency's solicitation, regardless of the type of solicitation document used.

The Board must use the open market informal solicitation method for all contracted services between \$5,000 and \$25,000. Open market formal solicitation is used for agency-administered open market purchases of services greater than \$25,000 and for commodities if delegated by SPD or through statutory authority specific to an agency. See [State of Texas Procurement Manual](#), Section 2.7.

Not obtaining bids from multiple vendors, increases the risk of the Board paying more for a good or service than necessary, not selecting the best good or service and not selecting the most qualified provider.

Recommendation/Requirement

The Board must obtain bids from qualified vendors for all services exceeding \$5,000. It must ensure that all bids are tabulated and the documentation related to the procurement process is retained.

Board Response

The TSBDE is in the process of reviewing its policies and procedures. Staff has been advised to create purchase orders prior to ordering goods and/or services. The agency will obtain bids from qualified vendors for all services exceeding \$5,000, and ensure that all bids are tabulated and the documentation related to the procurement process is retained. TSBDE has an employee working towards procurement certification and required training to ensure the agency remains in compliance.

Finding – Missing System for Award Management Search

We identified one transaction where the Board did not provide required System for Award Management (SAM) printouts dated prior to its respective contract awards. According to the Board, missing SAM printouts were an oversight based on time constraints of last-minute purchases and the inability to perform searches through the U.S. government's website. The Board also stated that it will ensure searches are performed and documented in the procurement file. The Board stated that this practice was not followed due to high employee turnover.

Agencies must not award contracts to vendors who have been barred from contracting with the federal government. The SAM is the electronic database of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs that identified those vendors excluded throughout the U.S. government (unless otherwise noted) from receiving federal contracts or certain subcontracts and from certain types of federal financial and non-financial assistance and benefits. The SAM must be checked seven days prior to any purchase, award or contract renewal being made by state of Texas government entities. See [State of Texas Procurement Manual](#) – Evaluation and Awards, Section 2.30.

Recommendation/Requirement

The Board must conduct a SAM search prior to any purchase, award or contract renewal. SAM may update these databases more than once in a 24-hour period, a final check of the Special Designated Nationals (SDN) listing must be made prior to any contract award to ensure the Board does not award contracts to any person or vendor whose name appears on the SDN list. A copy of the SAM search results from the specified website must be used as evidence of the vendor search performed by the agency and must be included in the contract file.

Board Response

The TSBDE finance director noticed the lack of SAM searches and implemented this practice prior to the audit. Each purchase, award and contract renewal requires evidence of the SAM search.

Finding – Missing Department of Information Resources Exemption

The Board did not obtain the required authorization from DIR for an IT good not available through a DIR term contract. The Board used an outside vendor without proper permission. Due to lack of knowledge of this authorization requirement and high employee turnover, the Board did not request an exemption approval letter to authenticate using a non-contracted vendor for this acquisition.

[Texas Government Code, Chapter 2157](#), requires state agencies to purchase hardware and/or software goods, as well as technical services through DIR cooperative contracts. However, Texas Government Code, Section 2157.068, in addition to [1 Texas Administrative Code, Section 204.12](#), state, only if a product or service is not available via an existing purchasing program developed by DIR, a state agency can opt to use a different vendor as a secondary source if allowed by DIR through the approval of a one-time exemption request. See [State of Texas Procurement Manual – Selecting a Procurement Method, Section 2.4](#).

To save time and money on technology purchasing, DIR has more than 750 contracts in place, all competitively bid as per Texas state requisites. If the goods or services must be acquired from a source other than DIR as set forth in its catalog, as the next step, an exemption request form must be submitted to DIR. If the exemption is granted, the Board may use outside vendors. See [State of Texas Procurement Manual – Delegated Purchases – Purchase of Automated Information Systems/Telecommunications Commodities and Service Purchases, Section 2.11](#).

Recommendation/Requirement

The Board must follow the procedures outlined in the [State of Texas Procurement Manual](#) for IT goods or services. The Board must obtain an exemption request authorization from DIR and make it part of the procurement documentation file every time it buys IT goods or services from a source other than DIR cooperative contracts.

Board Response

The TSBDE has an employee in finance that is working towards procurement certification and attending required training to remain in compliance. The agency will follow the procedures outlined in the State of Texas Procurement Manual for IT goods and services. Finance will work closely with our new IT director to ensure agency remains in compliance.

DETAILED FINDINGS — TRAVEL

Missing Invoices

Finding

We identified two travel transactions where the commercial air transportation and lodging invoice was not provided. To be reimbursed for the commercial air transportation and lodging expense, the traveler must provide proof that the expense was incurred. This normally takes the form of commercial air transportation and lodging receipts. See [TexTravel](#) – Commercial Air Transportation and [TexTravel](#) – Lodging Receipt Requirements.

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 its part.

Recommendation/Requirement

The Board must ensure that employee travel vouchers provide 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

Staff has been advised to keep all pertinent receipts, invoices and documents for travel reimbursements. Documentation is to be attached to corresponding travel reimbursement/ payment vouchers.

DETAILED FINDINGS — DIRECT DEPOSIT AUTHORIZATION FORM

Incomplete Direct Deposit Authorization Form

Finding

We conducted a review of the Board's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally. Of the ten vendors/employees selected and reviewed, four direct deposit forms on file were not properly completed. Without a properly completed form on file, the Board was unable to indicate whether state funds were forwarded to a financial institution outside the United States.

Due to federal requirements mandated by the Office of Foreign Assets Control, the National Automated Clearing House Association has adopted specific rules on the identification and processing of International ACH (Automated Clearing House) transactions (IATs).

To avoid potential federal penalties, each state agency must:

- Show due diligence in processing all direct deposit payments.
- Ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside the United States.

According to the Board, failing to review the direct deposit forms was an oversight due to a lack of understanding of the federal requirement. During fieldwork, we requested and verified that the Board contact all four vendors/employees to obtain properly completed forms. See Foreign Asset Control Requirements stated in [TexPayment Resource](#) – Prohibition on Direct Deposit to Financial Institutions Outside the U.S.

Recommendation/Requirement

The Board must ensure that all payees that request payment by direct deposit submit a completed direct deposit form, with the IAT question answered. A direct deposit authorization form should not be processed if the IAT section is left blank or the form is unsigned.

Board Response

TSBDE staff processing new employees are required to review all paperwork submitted by persons beginning their employment with the TSBDE. This is to ensure required paperwork has been completed and filled out properly.

DETAILED FINDINGS — SPECIAL REPORTS

Incorrect Billing Account Number

Finding

We ran a report outside of the samples to identify potential payments processed incorrectly to third-party vendors during the audit period. During our review of this report, we identified 15 payments processed incorrectly to the state's payment card vendor. The incorrect payments totaled \$46,866.01. The Board failed to provide the correct billing account number as prescribed by [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) and [USAS and CAPPS Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the vendor may not be able to directly post payments to the Board's payment and travel card accounts. The Board stated that it was unaware of the requirements regarding the invoice number field.

Recommendation/Requirement

The Board must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#) and [FPP E.023](#). To avoid any account delinquency or reconciliation issues, we recommend the Board review payment card statements to ensure the payments were posted correctly.

Board Response

The TSBDE is in the process of updating its policies and procedures to include that the agency must enhance its procedures to ensure third-party transactions are processed correctly. TSBDE staff will review payment card statements to ensure payments posted correctly and to avoid any account delinquency and/or reconciliation issues.

DETAILED FINDINGS — SECURITY

Failure to Request Security Access Removal

Finding

During the audit period, the Board failed to submit a request to remove one employee's security in USAS to electronically approve the Board's expenditures on or before the date the employee's authority to approve the agency's expenditures is revoked. The request to remove the employee from the signature card was sent 98 days late. This could have permitted the employee to approve vouchers that the Board submitted electronically to the Comptroller's office through USAS after the employee's authority expired. Any payment produced by a document that was approved by an employee whose security has been revoked would have constituted an unapproved expenditure. We ran a report and determined that no unapproved documents were processed during the audit period.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

The Board has procedures to notify the Security Coordinator of personnel actions. In these instances, the request to remove the employee's security was delayed due to the Board's oversight.

Recommendation/Requirement

The Board must ensure compliance with the terminated employee's security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employee terminations on or before the dates the revocations become effective and follows up with the Comptroller's office to ensure receipt of the notification and the revocation occurred.

Board Response

The TSBDE created a form for exiting employees to ensure all access is revoked in a timely manner. The agency will ensure compliance with terminated employee's security revocation requirements and also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employee terminations on or before the dates the revocation become effective and follow up with the Comptroller's office to ensure receipt of the notification and the revocation occurred.

Failure to Notify Comptroller's Office to Remove Employee from Signature Card

Finding

During the audit period, the Board failed to timely notify the Comptroller's office about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee from the signature card was sent 93 days late. This means that the former employee could have approved paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. We researched our archived files and determined no unapproved documents were processed during the audit period. The Board has procedures to notify the Security Coordinator of personnel actions. In this instance, the Security Coordinator did not follow procedures.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See [34 Texas Administrative Code, Section 5.61\(k\)\(3\)\(B\)](#).

Recommendation/Requirement

The Board must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employees' terminations on or before the dates the revocations become effective and follows up with the Comptroller's office to ensure receipt of the notification and the revocation occurred.

Board Response

Controls are now in place to prevent these issues from reoccurring. The TSBDE created a form to be filled out by TSBDE staff when an employee separates from the agency to ensure all access is revoked in a timely manner.

DETAILED FINDINGS — INTERNAL CONTROL

Control Weakness Over Expenditure Processing/Confidential Treatment Information Acknowledgment Form Missing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Board placed on its accounting staff's ability to process expenditures. We reviewed the Board's security in USAS, USPS, Texas Identification Number System (TINS) and voucher signature cards that were in effect on Feb. 16, 2016. We did not review or test any internal or compensating controls that the Board may have relating to USAS, USPS or TINS security or internal transaction approvals.

The Board had one employee who could process and release payments through USAS, adjust payment instructions in TINS and approve paper vouchers, and process and release payroll in USPS without oversight. The Board explained that due to its accounting staff limitations it had some overlapping responsibility in its transaction approval process. The Board was provided with 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 possible. Ideally, no individual should be able to process transactions within the statewide systems without another person's involvement.

We ran a report to determine whether any of the Board's payment documents processed through USAS during the audit period because of the action of only one person. There was one USAS and nine USPS documents that were either entered and approved, or altered and approved, by the same person without another person's electronic oversight. These documents resulted in payments totaling \$1,463,214.84. The documents were reviewed during the fieldwork phase of the audit and were determined to be valid expenditures. We provided the Board with a copy of this report during fieldwork.

As a routine part of our security review, we reviewed the Board's compliance with the requirement that all agency users of the Comptroller's statewide financial systems complete a Confidential Treatment Information Acknowledgment (CTIA) form. When a new user needs access to the Comptroller's statewide financial systems, the agency's security coordinator has the new user read and sign the CTIA form. A reviewing official signs the agreement and the agency's security coordinator keeps it on file for as long as the user has access to the systems, plus five years. In our review, we identified two CTIA forms signed after the individuals had accessed the Comptroller's statewide financial systems. The Board stated this was due to an oversight from the previous administration.

Recommendation/Requirement

The Board should review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure that no individual is able to process payments without oversight.

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 Board implement the following recommendations:

1. The Board must 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 Board should elect to have the document tracking control edit on the Agency Profile (DØ2) 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 Board 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 Board must work with Comptroller's office Statewide Financial Systems Security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.
5. The Board must 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.
6. The Board should enhance its procedures to ensure that the original CTIA form is kept on file as long as the user has access to the statewide accounting systems, plus the five-year retention period.

Board Response

The TSBDE elected to warn the user when the same user attempts to release his or her own entries or changes in USAS. The agency will review the preventive and detective controls over expenditure processing and work with the Comptroller's office Statewide Financial Systems Security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS. The agency will also limit user access by removing the user from the Agency Authorization for Warrant Pickup list. Lastly, the TSBDE will enhance its procedures to ensure that the original CTIA form is kept on file as long as the user has access to the statewide accounting systems, plus the five-year retention period. CTIA forms will be signed prior to accessing the USAS/USPS systems.