

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section  
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# Post-Payment Audit of the Texas Comptroller's Office



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas Comptroller's Office (Office) 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 Office 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 Office should implement the recommendations listed in the Detailed Findings of this report. It is the Office'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 Office's documents comply in the future. The Office must ensure that the findings discussed in this report are resolved.

*Texas law requires the Texas Comptroller of Public Accounts (Comptroller) 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. A limited sample of voluntary contributions was also audited.

The audit identified:

- Eight records missing prior State Service Verifications forms. This resulted in one incorrect hazardous duty and two incorrect longevity payments.
- Two records missing Dual-Employment Notification forms. This resulted in one non-exempt employee being due overtime pay.
- Two records missing payroll deduction forms.

### 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:

- Four contract files missing Central Master Bidders List (CMBL) solicitations.
- One contract file missing the Electronic State Business Daily (ESBD) posting.
- One contract file missing the System of Award Management (SAM) search.

### Travel transactions

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

- No issues were identified.

### Special reports

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

The audit identified:

- 26 transactions with incorrect data in the invoice number field.

### Security

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

- No issues were identified.

### 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 Office'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 Office's payroll, purchase and travel transactions was concluded on September 12, 2012.

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

- Missing prior state service verification.
- Incorrect longevity payment.

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## DETAILED FINDINGS — PAYROLL

### Missing Prior State Service Verification/Incorrect Longevity/ Hazardous Duty Payment Amounts

#### Finding

In our review of the payroll transactions, we identified eight employees with missing Prior State Service Verification forms. This resulted in three out of the eight employees having incorrect state effective service dates/hazardous duty effective service dates in USPS. One employee was underpaid \$4,000 in longevity, a second employee was overpaid \$520 in longevity and a third employee, who was in a hazardous duty position, was underpaid \$470 in hazardous duty pay. The remaining five employees did not have a change in longevity pay.

In a report generated outside of the sample, we identified four additional employees with missing Prior State Service Verification forms resulting in underpayments of longevity in the amount of \$440 for the first employee, \$800 for the second employee, \$80 for the third employee and \$120 for the fourth employee. All four employees had disclosed their previous employment to the Office.

The Office's procedures include verifying prior state service whenever an employee indicates prior state service in the Previous State Employment Disclosure form that employees are given during orientation. The missing prior state service verifications for the Office were due to incorrect dates entered in the system and non-verification of hazardous duty pay eligibility.

When an agency hires an employee, the agency must research whether the employee has prior state service and/or been in a hazardous duty position. If prior state service or hazardous duty employment exists, the agency must confirm the amount of lifetime service credit/hazardous duty service credit and properly record it or risk incorrectly paying longevity/hazardous duty pay. See [Texas Payroll/Personnel Resource - Longevity Pay](#) and [Texas Payroll/Personnel Resource - Hazardous Duty Pay](#).

The Office obtained the missing prior state service verifications as a result of the audit. Payroll schedules were provided to the Office and are not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The Office must continue to review each employee's job application for prior state service and prior hazardous duty positions for all current and new employees to ensure properly documented and maintained personnel files. The Office must promptly correct through a supplemental payroll. See [34 Texas Administrative Code Section 5.40\(c\)](#). Additionally, the office should consider recovering the overpayment in accordance with the [Texas Government code, Chapter 666](#), unless it determines it is not cost effective to do so.

**Office Response**

*The Human Resources (HR) Division compares the employee's job application and new-hire prior state service form, which the employee completes in new-hire orientation. This initial check also includes prior hazardous duty employment. If prior employment is missing from the new-hire form, HR forwards the form and notification of missing employment to the Budget and Internal Accounting (BIA) Division's payroll section to be used to seek employment verification from agencies. In addition, the Centralized Accounting and Payroll/Personnel System's (CAPPS) automated Web Services verification captures and posts prior employment dates to the "Employment Data/Prior State Service screen" for new-hires previously employed by an agency using CAPPS. This data is reconciled by the BIA payroll section to the new-hire prior state service form. If, during this reconciliation, additional prior employment is discovered, the BIA payroll section notifies HR of the undisclosed employment. The BIA payroll section will continue to utilize these processes to verify all known prior and hazardous duty employment for every new-hire. The section will also continue to utilize the peer review process to verify that entry into CAPPS is accurate per the verification that is received, as well as provide copies of the verifications to HR and maintain a file copy in the payroll section.*

## Missing Dual Employment Notification Forms

### Finding

In our review of payroll transactions, we identified two employees who were missing notification forms informing the Office about their dual employment with other state agencies. The employees had other jobs with different agencies and received income from that activity. One employee had terminated employment with the Office prior to the audit. The Office calculated that the amount of overtime due to this employee was \$30,788.29, after taxes. The Office obtained official verification of the dual employment for the second employee during the audit and made it part of the employee's payroll records. There was no impact for this employee because both positions were FLSA exempt.

Although both employees have filed an Approved Outside Activity Update form, the forms did not cover the full dual employment period in question.

The Office should have been aware of the employees' dual employment through the [Statewide Payroll/Personnel Reports Guide - State Employees Employed by More Than One State Agency](#) report. Also, the [Statewide Payroll/Personnel Reports Guide \(FPP D.002\)](#) states the requirements regarding how human resources information on all state employees is to be submitted to the Comptroller.

### Recommendation/Requirement

To avoid the potential for not compensating an employee appropriately, we recommend the Office routinely obtain and review the *State Employees Employed by More Than One State Agency* report and to coordinate with the other state agencies or institutions of higher education to ensure dually employed employees are and have been properly compensated. See [Texas Government Code Chapter 667-Multiple Employments with State](#). Also, we recommend the Office follow up with dually employed employees to ensure they renew the Approved Outside Activity Update form if dual employment applies.

### Office Response

*The BIA Division's payroll section provides the Human Resources (HR) Division with the "State Employees Employed by More Than One State Agency" report produced by the Fiscal Management Division. HR then reconciles the report to the "Employment, Business Or Other Outside Activity Approval Request" form and notifies, via email, the BIA payroll section if any coordination efforts are needed to ensure proper compensation for FLSA non-exempt employees.*

*In addition, HR will coordinate a dual employment reconciliation with a three-year look-back period. The goal will be to identify employees on the "State Employees Employed by More Than One State Agency" report for which an "Employment, Business Or Other Outside Activity Approval Request" form has not been obtained.*



## Missing Payroll Deduction Forms

### Finding

We identified two instances where the required payroll deduction form was missing. The Office was unable to provide the deduction form for a credit union for one employee and the Texas Tomorrow Fund for the second employee. The Office's staff was not able to locate the forms and indicated that one of the two missing forms was for an employee who had terminated employment with the Office.

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 may require the documentation to be made available during a post-payment audit, prepayment audit or at any other time. See [Texas Payroll/Personnel Resource – Voluntary Deductions](#).

### Recommendation/Requirement

We recommend the Office enhance internal controls to ensure it maintains required documentation to support all employee payroll deductions. See [34 Texas Administrative Code Section 5.47](#).

### Office Response

*It should be noted that the missing deduction forms were initiated prior to 2005. The BIA payroll section staff keep all deduction documentation on file. If an official form is not available, an email is required from the employee with deduction instructions. Either the form or the email are kept per the state's records retention schedule.*

*Currently, CAPPS allows employees to set up deductions online. This eliminates some of the required paper documentation. The BIA payroll section will continue to utilize the peer-review process to verify that proper documentation is on hand and that entry into CAPPS is accurate per the documentation.*

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## DETAILED FINDINGS — PURCHASE

### Missing Central Master Bidders List Solicitation

#### Finding

The Office did not perform a search on the Central Master Bidders List (CMBL) of all eligible suppliers for four contracts prior to their award. The Office stated it was an oversight that the CMBL search and profile printout of all eligible suppliers was not conducted prior to awarding the contracts.

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). The CMBL must also be used to gather information for noncompetitive procurement processes and vendor performance data.

Agencies must print out the awarded vendor's CMBL profile showing the expiration date for file documentation. See the [State of Texas Procurement Manual](#), Section 2.24. Proof must be obtained that the CMBL system was checked prior to any award or contract renewal being made by State of Texas government entities. See [Texas Government Code Sections 2155.263-2155.264](#) and [34 Texas Administrative Code Section 20.107\(g\)](#).

#### Recommendation/Requirement

To ensure adherence with the procurement rules, the Office must 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 must be used as evidence of the vendor search being performed by the Office and must be included in the contract file.

#### Office Response

*A total of six files did not contain either documentation of the centralized master bidders list (CMBL) search results (four files), documentation of the Electronic State Business Daily (ESBD) posting of the solicitation (one file) or documentation of the System for Award Management (SAM) search results (one file). To address these deficiencies, the Procurement Division is creating written procedures that document 11 processes for all of our purchasers – current and future – as well as other interested parties. The 11 areas for which procedures are being compiled and recorded include both: (i) the solicitation creation and advertising process – including a specific requirement to include documentation of the CMBL search results and of the ESBD posting in the procurement file, and (ii) the offer evaluation and negotiation process – including a specific requirement to include documentation of the SAM search results in the procurement file.*

*Drafts of these procedures are being distributed to all Procurement Division staff this week and will be discussed among all staff over this week and next. The new procedures will be finalized by Dec. 31, 2017, and effective Jan. 1, 2018.*

## Missing Electronic State Business Daily Posting

### Finding

The Office did not meet the solicitation advertisement requirements for one contract. The procurement file did not contain proof or verification of the posting on the Electronic State Business Daily (ESBD) for a contract over \$25,000. The Office stated that it did not post the required notice to the ESBD database due to an oversight.

The SPD requires each agency to post notices for all solicitations expected to exceed \$25,000, or more on the 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 very lengthy or complex. See [State of Texas Procurement Manual](#), Section 2.23.

In accordance with [Texas Government Code Section 2155.083](#) and [34 Texas Administrative Code Section 20.233](#), the requirement to advertise solicitations by posting on the ESBD applies to all purchases exceeding \$25,000, regardless of source of funds used for procurement. This requirement includes delegated purchases, emergencies, construction projects, professional or consulting services, proprietary purchases or purchases exempt from SPD's purchasing authority.

### Recommendation/Requirement

The Office must 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 entire contract.

Supporting documentation for a purchase must be available during an audit to justify the validity of the payment. The Office must retain adequate supporting documentation for all expenditures.

### Office Response

*A total of six files did not contain either documentation of the CMBL search results (four files), documentation of the ESBD posting of the solicitation (one file) or documentation of the SAM search results (one file). To address these deficiencies, the Procurement Division is creating written procedures that document 11 processes for all of our purchasers – current and future – as well as other interested parties. The 11 areas for which procedures are being compiled and recorded include both: (i) the solicitation creation and advertising process – including a specific requirement to include documentation of the CMBL search results and of the ESBD posting in the procurement file, and (ii) the offer evaluation and negotiation process – including a specific requirement to include documentation of the SAM search results in the procurement file.*

*Drafts of these procedures are being distributed to all Procurement Division staff this week and will be discussed among all staff over this week and next. The new procedures will be finalized by Dec. 31, 2017, and effective Jan. 1, 2018.*

## Missing System of Award Management Search

### Finding

We identified one contract where the Office did not provide the required System for Award Management (SAM) printouts dated prior to its contract award. According to the Office, the SAM printout was missing due to an oversight. The Office also stated that it will ensure printouts are performed and documented in the procurement file, which should alleviate any future findings.

Agencies must not award contracts to vendors who have been barred from contracting by the federal government. The SAM system is the electronic database of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs that identifies 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 system must be checked no more than seven days prior to any purchase, award or contract renewal being made by state of Texas government entities. See [State of Texas Procurement Manual](#), Section 2.30 Evaluation and Awards.

### Recommendation/Requirement

The Office must conduct a SAM search prior to any purchase, award or contract renewal. Since 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 Office 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 retained as evidence of the vendor search being performed by the agency and must be included in the contract file.

### Office Response

*A total of six files did not contain either documentation of the CMBL search results (four files), documentation of the ESBD posting of the solicitation (one file) or documentation of the SAM search results (one file). To address these deficiencies, the Procurement Division is creating written procedures that document 11 processes for all of our purchasers – current and future – as well as other interested parties. The 11 areas for which procedures are being compiled and recorded include both: (i) the solicitation creation and advertising process – including a specific requirement to include documentation of the CMBL search results and of the ESBD posting in the procurement file, and (ii) the offer evaluation and negotiation process – including a specific requirement to include documentation of the SAM search results in the procurement file.*

*Drafts of these procedures are being distributed to all Procurement Division staff this week and will be discussed among all staff over this week and next. The new procedures will be finalized by Dec. 31, 2017, and effective Jan. 1, 2018.*

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## DETAILED FINDINGS — SPECIAL REPORTS

### Incorrect Billing Account Number

#### Finding

We ran a report outside of the sample to identify potential payments processed incorrectly to third-party vendors by the Office for the audit period. We identified 23 documents processed incorrectly to the state's payment card vendor. The incorrect payments totaled \$100,728.02. The Office 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 Office's payment and travel card accounts. The Office stated it was unaware of the requirements regarding the invoice number field.

#### Recommendation/Requirement

The Office must 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 Office review payment card statements to ensure the payments are posted correctly.

#### Office Response

*The 23 documents referenced the "card account" as opposed to the "corporate billing account." The number was changed upon notification by the post-audit team. The Travel section was aware that the invoice number field required a CitiBank number, but inadvertently included the card account number instead of the corporate billing account. There have been no delinquencies or reconciliation issues with the Comptroller's account since the 2011 implementation of the CitiBank program.*