Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Bill Hornstein

Audit Report # 508-18-01
June 29, 2018

Post-Payment Audit of the Texas Board of Chiropractic Examiners

Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Detailed Findings — Purchase

Detailed Findings — Travel

Detailed Findings — Security

Detailed Findings — Internal Controls

Executive Summary

Audit scope

We audited a sample of the Texas Board of Chiropractic 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 March 1, 2016, through Feb. 28, 2017, to determine compliance with applicable state laws.

> ***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.***

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

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 of the Board's 18 employee personnel files identified:

- No issues were identified.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, eXpendit, the *State of Texas Procurement and Contract Management Guide* and other pertinent statutes.

The audit of 30 of purchase transactions identified:

- Seven instances of missing documentation.
- Three instances of the purchase orders or contracts created after the invoice or services.

Travel transactions

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

The audit of 30 travel transactions identified:

- Two travel vouchers changed without the employee's approval or not signed by the employee.

Security

The audit included a security review to identify any of the Board's employees on the voucher signature cards or had security access in USAS, who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security access can be revoked in a timely manner.

The review identified:

- Two employees retained ability to expend funds after termination.

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:

- Two employees could process and release payments in USAS without oversight.
- One employee could adjust payment transactions in TINS and approve vouchers.
- One employee could process and release payrolls without oversight.

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 Aug. 9, 2013.

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

- Failure to request security access removal.
- Control weakness over expenditure processing.

Contact:
Bill Hornstein
(512) 475-0995

Contributing Auditors:
Eunice Miranda
Melissa Hernandez

Detailed Findings — Purchase

Missing Documentation

Finding

We identified seven out of 30 purchase transactions where the Board could not provide documentation to substantiate its compliance with pertinent requirements, such as the appropriate documentation trail for all expenditures. Two transactions were missing the purchase order or contract; one purchase document and one travel transaction were missing the invoice; one transaction was missing the purchase order (PO) and receiving report; and two transactions were missing all documentation needed to support the payment.

The Board was unable to locate the documentation and said it was missing due to oversight. Without proper invoices, purchase orders, contracts, receiving reports and other supporting records, we could not determine if the information entered into USAS was an accurate reflection of the intended purchases made or if the proper procurement process was followed.

It is the responsibility of an agency and its officers and employees to ensure the maintenance of necessary documentation for proving that each payment resulting from the document is legal, proper and fiscally responsible. See 34 Texas Administrative Code Section 5.51(c)(1)(D).

Supporting documentation for a purchase document must be made available to the Comptroller's office in the manner required. The types of supporting documentation that the Comptroller's office may require include a purchase order, requisitions, contracts, invoices and receipts. For more information, see 34 Texas Administrative Code Section 5.51(e)(2)-(3). Such documentation must be maintained at least until the end of the second fiscal year after the fiscal year in which the transaction was processed in USAS. See 34 Texas Administrative Code Section 5.51(e)(5)(A). Agencies are also required to adhere to the Texas Government Code Section 2155.074, Texas Government Code Section 2156.009 and Texas Government Code Section 2161.253, to obtain the best value in the pursuit of every purchase and maintain adequate documentation.

Recommendation/Requirement

The Board must enhance its process and review its policies to ensure that it abides by the procurement procedures stipulated in the *State of Texas Procurement and Contract Management Guide*. The Board must ensure that it retains the appropriate documentation trail for all expenditures. Detailed good/service product, pricing and receiving information must be documented and retained so it can be used to verify proper billing and justification of payment.

Board Response

The two former CFOs were responsible for this audit item and left the agency in June of 2016 for employment with another state agency. Another employee who also handled this issue retired from the agency in June of 2016.

The two employees promoted to fill these roles on April 9, 2018 double-check each other's work, ensure a three-way match for documentation purposes and have the file cabinets where the vouchers are stored meticulously organized.

Purchase Order/Contract Created After Invoice/Services

Finding

We identified three out of 30 transactions where a PO was created after the invoice was received, and one transaction where the contract was signed after the services began. When a PO is created after receipt of the invoice and when services begin before a contract is signed, 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. The Board's procedures require that POs be created prior to obtaining goods and services, but this procedure was not followed in these instances. The Board stated that these errors were made by previous staff.

34 Texas Administrative Code Section 5.51(c)(1)(D) 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."

All state agencies must deliver a PO to their goods and services vendors. The PO must 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 that have been accepted. The PO number must be referenced on all bills of lading, packing slips, back orders, invoices, and other transactional documents.

Recommendation/Requirement

The Board must ensure that documentation of an agreement is created at the time the goods or services are ordered from the vendor. Once the Board has made a final approved agreement with the vendor, the Board may not pay any amount in excess of the agreed upon amount unless the vendor provides additional consideration to the Board.

Board Response

The two former CFOs were responsible for this audit item and left the agency in June of 2016 for employment with another state agency. Another employee who also handled this issue retired from the agency in June of 2016.

The employee hired in July of 2016 to replace the retired employee ensures that documentation of an agreement is created at the time the goods/services are ordered from the vendor.

Detailed Findings — Travel

Travel Voucher Not Signed by Employee/Changed Without Employee Approval

Finding

We noted two out of 30 travel vouchers that had handwritten notes changing the amounts reimbursed to the employees. The notes were not initialed and there was no documentation attached to the vouchers indicating the employees authorized the changes to the vouchers. The Board stated that these errors were made by previous staff.

The travel voucher/form must be signed and dated on paper or electronically to be considered approved by the individual claiming reimbursement. A signature on a paper or electronic travel voucher/form is automatically revoked if new information is added after it is signed, unless the addition is approved by the individual who signed the voucher/form. See Textravel – Documentation Requirements, Reimbursements to an Individual.

Recommendation/Requirement

The Board must amend its policies to require written approval from the traveler whenever changes are made to a travel voucher.

Board Response

The two former CFOs were responsible for this audit item and left the agency in June of 2016 for employment with another state agency.

The current employee promoted to prepare, process and enter travel vouchers as of April 9, 2018 ensures that each voucher is accurate, signed by the appropriate parties and that all documentation matches the receipts provided by the traveler.

Detailed Findings — Security

Failure to Request Security Access Removal

Finding

During the audit period, the Board did not notify the Comptroller's office in a timely manner about the termination of two employees designated by the Board to approve its expenditures. The request must be sent on or before the effective date of an employee's termination or revocation. In these cases, the security request was sent to the Comptroller's office after their termination. This would allow the employees to approve any vouchers the Board submitted electronically to the Comptroller's office through USAS and USPS after their termination. We queried our payment system and found that no payments were processed by the employees after termination. According to the Board, it did not notify the Comptroller's office due to oversight.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination on or before 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). Additionally, Section 5.61(k) does not specify how the Comptroller's office is to be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings as long as the writings indicate that a designated employee has terminated employment and the notification specifies the effective date of the employee's termination.

For an employee whose authority to approve an agency's expenditures is revoked for any reason, the employee's USAS and USPS security profiles 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).

Recommendation/Requirement

The Board must ensure compliance with 34 Texas Administrative Code Section 5.61(k)(5)(A)-(B). The Board must also ensure that the person responsible for notifying the Comptroller's office is aware of the designated employee's termination on or before the date the termination becomes effective, and follow through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Board Response

The former executive director was responsible for informing staff, the CPA security coordinator of employee termination(s), so that the security coordinator could notify CPA.

The current executive director took on this responsibility as of March 2, 2018 and the programmer analyst is still the CPA security coordinator.

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 that the Board placed on its accounting staff's ability to process expenditures. We reviewed the Board's security in USAS, USPS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on July 11, 2017. We did not review or test any internal or compensating controls the Board may have relating to USAS, USPS or TINS security or internal transaction approvals.

Two employees can process and release payments through USAS without electronic oversight. One of these employees can also adjust vendor profiles in TINS and approve vouchers. The other employee can also process and release payrolls without oversight. The Board was provided with a schedule of this finding during fieldwork.

We ran a report to determine if any of the Board's payment documents processed through USAS and USPS during the audit period because of the action of only one person. The report identified 35 documents totaling $22,197.81 that processed without oversight. The payments were reviewed and determined to be valid expenditures.

Recommendation/Requirement

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 enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person's involvement.

The Board must implement the following recommendations:

1. The Board must limit the access at the time it is being set up (96A screen) by limiting user access to either enter/change vouchers or release/approve batches.

2. The Board must 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 Board must review and consider the use of 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 limit the access of users who can release/approve batches in USAS to view-only access in TINS (PTINS02). An individual should not be able to create a vendor or change a vendor profile and approve the payment.

5. The Board must work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.

Board Response

The responsible parties as of April 9, 2018 fully understand the importance of the segregation of duties; however, due to the size of our agency we obtained permission from CPA to be able to perform these duties in an emergency, eg: loss of essential key staff, access issues, vacations, etc. When staff has to perform an enter and release with the same user, the executive director approves the release, witnesses the release and signs off on the release.

Comptroller Response

The Comptroller's Office does not grant agencies permission to maintain this security. The Board may choose to accept this security risk due to the limited size of its staff, but it must recognize that, regardless of the internal controls it adopts, the potential for unauthorized payments still exists.