

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of the Texas Funeral Service Commission



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Funeral Service Commission (Commission) 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, 2016, through May 31, 2017, to determine compliance with applicable state laws.

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

Forty payroll transactions from a group of 12 employees were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and other pertinent statutes. A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

Thirty purchase transactions were audited for compliance with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

The audit identified:

- TIBH Industries Inc. not used.

Travel and non-overnight travel transactions

Thirty travel transactions were audited for compliance with the GAA, [Textravel](#) and other pertinent statutes. A limited sample of non-overnight travel transactions was also audited.

- No issues were identified.

Security

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

The audit identified:

- Two employees could pick up warrants from the Comptroller's office and approve vouchers.
- One of these employees could process and release payments through USAS.
- One of these employees could adjust payment instructions in the Texas Identification Number System (TINS) and approve vouchers.

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 Commission'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 Commission's payroll, purchase and travel transactions was concluded on Jan. 30, 2013.

During the current audit, we noted one recurring error:

- Control weakness over expenditure processing.

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DETAILED FINDINGS — PURCHASE

TIBH Industries, Inc. Not Used

Finding

The Commission did not use the State Use Program set-aside contracts for a purchase as required. The procured items are also offered by TIBH Industries, Inc. (TIBH). According to the Commission, this error occurred due to the Commission's concerns regarding the quality of TIBH's products.

The Texas Council on Purchasing from People with Disabilities (TCPPD), abolished effective Sept. 1, 2016, by Senate Bill 212, 84th Legislature, Regular Session, had the statutory responsibility for implementing the State Use Program (program). The program became part of the Texas Workforce Commission on Sept. 1, 2016, which establishes set-aside purchasing programs for commodities and services from community rehabilitation programs employing disabled Texans. The program assists persons with disabilities in achieving maximum personal independence by engaging in useful, productive employment. TIBH competitively won the bid in 1978 to administer the day-to-day operations of the program. In this capacity, TIBH handles everything from order processing to fulfillment and invoicing purchase orders (PO) to market history analysis, pricing requests, as well as Community Rehabilitation Program (CRP) registration and compliance. If a product or service is approved, it is set aside from competitive bidding, entered on a Comptroller's office term contract, and listed in a catalog. No competitive bidding is required.

[Texas Government Code, Section 2155.138\(a\)](#) and [Human Resources Code, Section 122.008](#) compel all state agencies and universities to purchase from TIBH all suitable products or services that meet applicable and functional specifications. Moreover, [Human Resources Code, Section 122.016\(b\)](#), obliges Statewide Procurement Division (SPD) to provide a monthly report (known as the State Use or Exception Report) listing all items not bought from TIBH. In order for SPD to comply with this provision, each state agency must submit a report to SPD of all delegated purchases not acquired from the TIBH list of set-aside contracts. See [State of Texas Procurement and Contract Management Guide](#) – TCPPD.

Recommendation/Requirement

The Commission must follow the procedures outlined in the Procurement Manual for all goods or services manufactured by TIBH. The Commission must ensure that it reports to SPD all delegated purchases not made from TIBH.

Commission Response

The agency has policies and procedures in place to follow the State of Texas Procurement Manual for all goods and services manufactured by TIBH. The agency will document the reason for all delegated purchases not made from TIBH and report these to the Statewide Procurement Division of the Comptroller's office.

DETAILED FINDINGS — SECURITY

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Commission placed on its accounting staff's ability to process expenditures. We reviewed the Commission's security in USAS, TINS and its voucher signature cards that were in effect on Jan. 2, 2018. We did not review or test any internal or compensating controls that the Commission might have relating to USAS or TINS security or internal transaction approvals.

The Commission has the following control weakness issues:

- Two employees could pick up warrants from the Comptroller's office and approve vouchers.
- One of these employees could also process and release payments through USAS without oversight.
- The same employee could also adjust payment transactions in TINS and approve vouchers.

The Commission explained that due to its staffing limitations it had some overlapping responsibilities in its transaction approval process.

To reduce risks to state funds, the Commission 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.

We ran a report to see whether any of the Commission's payment documents were processed through USAS during the audit because of the action of only one person; no issues were identified.

Recommendation/Requirement

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

The Commission must implement the following recommendations:

1. The Commission must limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the user from the agency's signature card.

2. The Commission 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.

The Commission must elect to have the document tracking control edit on the Agency Profile (DO2) 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 \(FPP B.005\)](#).

The Commission must review the preventive and detective controls over expenditure processing discussed in [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.

3. The Commission must limit the access of users who can enter/change vouchers or release/approve batches in USAS to view only access in TINS (PTINS02). An individual must not be able to create a vendor or change a vendor profile, create a payment, and approve the payment.

Commission Response

The agency has taken the following steps to control risks over expenditure processing:

1. *One individual was removed from permission to pick up warrants and approve paper vouchers on Feb. 15, 2018.*
2. *One individual was changed from all TINS access to inquiry-only access on June 13, 2018.*
3. *The agency has a document control edit on the agency profile set to warn the user when the same user attempts to release their own entries or changes.*
4. *The agency will run the DAFR 9840 on a quarterly basis for a list of documents that were entered and altered by the same user who released the batch.*

The agency will continue to have one user who can enter or change expenditure and travel vouchers due to its small size and limited staff and resources. It should be noted that during the audit period no expenditure/travel vouchers or payroll transactions were processed without oversight by a second person.

The agency is taking all precautions necessary and believes that there are adequate internal controls in place to mitigate any risk associated with the processing of expenditure, travel, and payroll processing.