

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section  
Auditor: Derik Montique

Audit Report # 515-18-01  
July 20, 2018

# Post-Payment Audit of Texas State Board of Pharmacy



Glenn Hegar  
Texas Comptroller of Public Accounts

# Table of Contents

## Executive Summary

Audit scope .....	i
Payroll transactions and payroll deductions .....	i
Purchase transactions .....	i
Travel and non-overnight travel transactions .....	ii
Payment card transactions .....	ii
Security.....	ii
Internal control structure .....	ii
Fixed assets.....	ii
Prior post-payment audit and current audit recurring findings .....	ii
Other Auditor Observations .....	iii

## Detailed Findings — Payroll

Incorrect Longevity Payment Amounts .....	1
---	---

---

# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Texas State Board of Pharmacy (Board) payroll, purchase and travel transactions 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 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

One hundred and sixty-nine payroll transactions for 30 employees were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- Incorrect longevity payment amount for four employees outside of the sample.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

## Purchase transactions

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

- No issues were identified.

## Travel and non-overnight travel transactions

Fifty-one travel and non-overnight travel transactions were audited for compliance with the GAA, [Textravel](#) and other pertinent statutes.

- No issues were identified.

## Payment card transactions

Twenty payment card transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

- No issues were identified.

## Security

The audit included a security review to identify any of the Board'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 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.

- 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 Board'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 Board's payroll, purchase and travel transactions was concluded on May 18, 2014.

During the current audit, we noted no recurring findings.

## Other Auditor Observations

We also noted that one Board employee has the ability to initiate requisitions, place orders, receive inventory and conduct inventory counts. This indicates a lack of segregation of duties.

Proper segregation of duties ensures there is oversight and review to catch errors. It also reduces the chance of possible theft and fraud.

**Contact:**

Derik Montique, MBA, CFE, CGFM  
(512) 305-9761

**Contributing Auditors:**

Akeem Tory, CFE, CIA  
Mayra Castillo  
Amanda Price, CFE  
Raymond McClintock

---

## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity Payment Amounts

#### Finding

In a report generated outside of the payroll sample, we reviewed four employees and identified one who noted prior state service on their job application but did not receive credit for this time. The Board did not originally obtain the prior state service verification (PSSV) due to oversight.

As a result of the audit, the Board obtained the PSSV form and corrected the information on the system. The incorrect state effective service date resulted in an underpayment of longevity pay totalling \$300.

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

When an agency hires an employee, the agency must research whether the employee has prior state service. If the employee has prior state service, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See [Longevity Pay - Texas Payroll/Personnel Resource](#).

We provided the Board with the calculation of the longevity underpayment amount. They are not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The Board should ask all new employees if they have any prior state service as part of the Board's new-hire process and document the employee's answer to this question. The Board should review employees' responses and contact any agencies identified for prior state service verification. The Board should review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to an employee. See [34 Texas Administrative Code Section 5.40\(c\)](#). The Board must compensate the employee for the underpaid amount.

#### Board Response

*Employee in question did not complete agency's Prior State Service form. On her State of Texas Application, she checked "no" for the question "Have you ever been employed by the State of Texas?" However, her application indicated prior work at "MD Anderson Cancer Center." Human Resources staff will ensure the Prior State Service form is complete by all new hires and more closely review the state application.*