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# Post-Payment Audit of Cancer Prevention & Research Institute of Texas



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Cancer Prevention & Research Institute of Texas (Institute) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Standardized Payroll/Personnel Reporting System (SPRS) during the period beginning Sept. 1, 2016, through Aug. 31, 2017, to determine compliance with applicable state laws.

The Institute 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 Institute should implement the recommendations listed in the Detailed Findings of this report. It is the Institute'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 Institute's documents comply in the future. The Institute 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. A limited sample of voluntary contributions was also audited.

The audit of 16 employees and 61 transactions identified:

- Two missing prior state service verification/incorrect longevity pay.

### Purchase transactions

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 of 51 transactions identified:

- Procurement process not used.
- Six instances of interest not paid.
- One instance of interest underpaid.
- Two instances of interest lost to State Treasury.

## Travel transactions

Travel transactions were audited for compliance with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes.

The audit of 30 transactions identified:

- Seventeen instances of interest not paid.

## Travel card transactions

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

- No issues were identified.

## Special reports

The audit included a review of various ad hoc reports run for the Institute outside the sample. One of the ad hoc reports lists transactions with incorrect 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 \(FPP E.023\)](#).

The audit of 69 documents identified:

- Nineteen occurrences using the incorrect billing account number.

## Security

The audit included a security review to identify any of the Institute'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 Institute's internal control structure was reviewed. The review was limited to obtaining an understanding of the Institute'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 were on the agency's voucher signature card, allowing them to approve paper vouchers.
- One employee could:
  - Enter or edit a payment voucher in USAS, release a payment in USAS, and enter or update vendor information in Texas Identification Number System (TINS).

- Update vendor profiles and direct deposit information in TINS and was on the agency’s voucher signature card, allowing the employee to approve paper vouchers.
- Process and release payroll in USAS and edit direct deposit information in TINS.
- Release payroll in SPRS and edit direct deposit information in TINS.

### **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 Institute’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 Institute’s payroll, purchase and travel transactions was concluded on Aug. 31, 2013.

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

- Control weakness over expenditure processing.
- Incorrect longevity pay – payroll.
- Missing System for Award Management (SAM) Search.
- Prompt payment and payment scheduling issues.

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## DETAILED FINDINGS — PAYROLL

### Missing Prior State Service Verification Resulting in Incorrect Longevity Pay

#### Finding

Two personnel files were missing prior state service documentation necessary to verify the employees' state service and the accuracy of the longevity payments.

Because of the audit, the Institute requested and obtained the prior state service verification documentation. The prior state service for one employee matched the data in the Centralized Accounting and Payroll/Personnel System (CAPPS); therefore, the longevity amounts were correct. However, the data on the verification documentation for the other employee did not match the data in CAPPS, resulting in less state service credit being recorded for the employee. This resulted in an underpayment of longevity pay for the audit period of \$180 and a total underpayment of longevity pay of \$680.

According to the Institute, its policy is to verify total state service in order to accurately calculate longevity payments. However, the Institute did not follow its procedures in this instance.

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

We provided the Institute with schedules of the missing documentation and the calculation of the longevity underpayment amount. The schedules are not included with this report due to confidential information.

#### Recommendation/Requirement

The Institute should verify all information in the personnel files to ensure that documentation of prior state service is obtained for its employees. In addition, the Institute should review each employee's job application and/or résumé for prior state service for all current and new employees. The Institute must compensate the employee who was underpaid longevity pay.

#### Institute Response

*CPRIT will ensure that the third-party vendor has accurately documented all new and current prior employee state service dates in CAPPS. Employee records not reviewed during this audit will be verified by the vendor and CPRIT staff by Oct. 31, 2018.*

*A payment for longevity has been made to the employee who did not disclose prior state service at the time of initial employment with CPRIT.*



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## DETAILED FINDINGS — PURCHASE AND PROFESSIONAL SERVICES

### Procurement Process Not Used

During our audit of 51 purchase transactions, we identified the following:

- One missing purchase order (PO).
- Two contracts missing Texas Comptroller of Public Accounts Delegation of Purchase letters.
- One missing Centralized Master Bidders List (CMBL) Search.
- Two missing System for Award Management (SAM) Search.
- One failure to report to the Legislative Budget Board (LBB).

### Finding – Missing Purchase Order

We identified one transaction that was not supported by a PO. The Institute'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 oversight.

A PO is a contract entered into between the Institute and the vendor. When the Institute 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 Institute to ensure it was not overcharged or billed for goods or services beyond those the Institute agreed to purchase. Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the purchases. 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 Institute must ensure that documentation of the purchase is prepared at the time the goods or services are ordered from the vendor. Once the Institute has processed a final approved PO with the vendor, the Institute 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 Institute.

### Institute Response

*CPRIT's Procurement Plan and Contract Management Handbook is being revised by adding procedures to amend purchase orders for leased equipment after the lease expires. The revision will address this circumstance if it ever occurs again.*

### **Finding – Missing CPA Delegation of Purchase Letter**

We identified two contracts that were in excess of the agency's delegated authority of \$100,000. The Institute could not provide the Comptroller's Statewide Procurement Division's (SPD) Delegation of Purchase letter, which is required for any contracted service in excess of \$100,000, and stated that in these instances, it failed to request formal delegation due to oversight.

For purchases of services estimated to cost more than \$100,000 per year, the Comptroller must review any proposed specifications or statements of work and determine whether the Comptroller or the state agency should make the advertisement and award. The Comptroller may determine that the service should be advertised to the entire CMBL rather than to only those vendors in the state agency's geographical area. If no competitive advantage would be obtained by having the Comptroller make the advertisement and award, the Comptroller may permit the state agency to do so as a delegated purchase. See [34 Texas Administrative Code Section 20.82 \(a\)\(4\)\(D\)](#)

### **Recommendation/Requirement**

The Institute must obtain proper delegation of purchasing authority for the service contracts that are in excess of its delegated authority. Unless the Institute receives such delegation in writing from SPD, it should not proceed with the solicitation because such contract will be rendered voidable.

### **Institute Response**

*The two solicitations that did not go through the SPD delegation process occurred prior to or during fiscal 2015 and were identified as the result of tracing payments made for services provided through the contract renewals covered under the scope of this audit. All CPRIT solicitations requiring delegated authority from SPD since fiscal 2016 have been submitted to SPD for review, and CPRIT has received delegated purchasing authority from SPD for all of them. In addition, CPRIT has developed a solicitation checklist to ensure all requirements in the procurement process are followed.*



### **Finding – Missing CMBL Solicitation Documentation**

The Institute was unable to provide proof for one contract that CMBL vendors were solicited. The Institute 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 in this instance.

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\(b\) and \(c\)](#).

### **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 Institute must maintain evidence that the CMBL vendors were contacted and include it in the contract file, as well as the bid tabulation that supports the contracted vendor selection.

### **Institute Response**

*CPRIT has developed a solicitation checklist that will be used from fiscal 2019 forward to ensure all requirements in the procurement process are followed.*

### **Finding – Missing System for Award Management Search**

We identified two contracts where the Institute did not provide the required SAM search printouts dated prior to the contracts award. The Institute stated it will ensure printouts are obtained and documented in the procurement file, which should prevent future findings.

Agencies must not award contracts to vendors who have been barred from contracting by the federal government. 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 system 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 and Contract Management Guide](#) – Vendor Compliance Verifications, SAM Check.

### **Recommendation/Requirement**

The Institute must conduct a SAM search prior to any purchase, award or contract renewal. Since SAM databases may be updated 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 Institute 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 and must be included in the contract file.

### **Institute Response**

*The use of a contract award checklist was implemented at the end of fiscal 2017 to ensure that all requirements in the procurement process are followed.*

### **Finding – Failure to Report to LBB**

We reviewed one professional service contract that was in excess of \$14,000 and was not reported to the LBB. The Institute stated that it did not report this contract to the LBB because it contained personal information.

According to [Texas Government Code, Sections 2254.006](#) and [2254.0301](#), a state agency, including an institution of higher education as defined by Texas Education Code, Section 61.003, shall provide written notice to the LBB of a contract for professional services, other than a contract for physician or optometric services, if the amount of the contract, including any amendment, modification, renewal, or extension of the contract, exceeds \$14,000. The notice must be on a form prescribed by the LBB and filed not later than the 10th day after the date the agency enters into the contract.

### **Recommendation/Requirement**

The Institute must provide a written notice to LBB for a contracted professional service if the amount of contract exceeds \$14,000. The notice must be on a prescribed form and not later than the 10th day after the agency enters into the contract.

Agencies should only redact contract information that is exempt from disclosure under Texas statutes pertaining to public information ([Texas Government Code, Chapter 552](#)) or other laws. Contact the LBB Contracts oversight team if additional guidance is necessary.

### **Institute Response**

*The use of a contract award checklist was implemented at the end of fiscal 2017 to ensure that all requirements in the procurement process are followed. Furthermore, service contracts that exceed \$14,000 have been reported to the LBB through CAPPs since Sept. 1, 2017, when CPRIT began using the financial modules in CAPPs.*

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## DETAILED FINDINGS — PURCHASE AND TRAVEL

### Prompt Payment and Payment Scheduling Errors

#### Finding

During the audit period, we identified a total of 18 transactions where the Institute did not follow the prompt payment and payment scheduling laws correctly:

- In our purchase sample, we identified four documents that included transactions where the interest was not paid, one transaction where the interest was underpaid, and two transactions paid early resulting in interest lost to the treasury.
- In our travel sample, we identified eleven documents including transactions where interest was not paid to the vendors.

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#).

[Texas Government Code, Section 2155.382\(d\)](#) authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office must require advance scheduling of payments when it is advantageous to the State Treasury.

During the audit period, the Institute paid vendors \$571.74 in prompt payment interest. According to the Institute, state and agency policies should have been followed, but in this case the agency made an oversight.

#### Recommendation/Requirement

The Institute must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the Institute must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to vendors. See [eXpendit – Prompt Payment](#).

#### Institute Response

*CPRIT began using the CAPPS financial modules on Sept. 1, 2017. CAPPS automatically schedules payments based on the prompt payment date requirements and calculates any interest due to the vendor. Unlike CAPPS, USAS does not automatically calculate interest against travel code entries, and CPRIT payments processed prior to Sept. 1, 2017, were processed directly in USAS.*

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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 Institute during the audit period.

During our review of this report, we identified 19 charge card documents that were processed incorrectly to the state's payment card vendor. The incorrect payments totaled \$31,394.88. The Institute 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 might be unable to post payments directly to the Institute's procurement and travel card accounts; this could further result in unidentified and delayed payment postings and potential rebate losses.

#### Recommendation/Requirement

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

#### Institute Response

*CPRIT has begun using the agency payment card account number to process payments from August 2018, not the purchaser's payment card account number that was accepted for payment card payments by the payment card vendor and did not cause any delinquency or reconciliation issues.*

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## DETAILED FINDINGS — INTERNAL CONTROLS

### Control Weakness over Expenditure Processing

#### Finding

As part of our planning for the post-payment audit, we reviewed certain limitations that the Institute placed on its accounting staff's ability to process expenditures. We did not review or test any internal or compensating controls that the Institute might have relating to USAS, SPRS, CAPPs or TINS security or internal transaction approvals.

The Institute had three employees with multiple security capabilities.

- Two employees could pick up warrants from the Comptroller's office and were on the agency's voucher signature card, allowing them to approve paper vouchers.
- One employee could:
  - Enter or edit a payment voucher in USAS, release a payment in USAS, and enter or update vendor information in TINS.
  - Update vendor profiles and direct deposit information in TINS and was on the agency's voucher signature card, allowing the employee to approve paper vouchers.
  - Process and release payroll in USAS and edit direct deposit information in TINS.
  - Release payroll in SPRS and edit direct deposit information in TINS.

The Institute received a schedule of these findings during fieldwork. The Institute stated that their small number of employees makes it difficult to separate the responsibilities in USAS, SPRS, CAPPs and TINS. However, the Institute has set up internal procedures to mitigate weakness in the process.

We also ran a report to determine whether any of the Institute's payment documents processed through USAS during the audit period because of the action of only one individual. 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 enter or alter and then release payments or other accounting transactions within the statewide financial systems and approve paper vouchers without another person's involvement.

The Institute must implement the following recommendations:

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



2. The Institute must limit the access of users who can enter/change voucher or release/approve batch 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.
3. The Institute must limit the access of users who can approve paper vouchers (being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change a vendor/employee profile or direct deposit information and approve a payment.
4. The Institute must limit the access of users who can process and release payroll in USAS to view-only access in TINS (PTINS02). An individual must not be able to change an employee payment instruction and process and release payroll.
5. The Institute must limit the access of users who can release payroll in SPRS to view-only access in TINS (PTINS02). An individual must not be able to change an employee payment instruction and release payroll.

### Institute Response

*Given the small size of the agency itself and the number of staff involved in these transactions, CPRIT has other controls in place through the segregation of duties to compensate for the same individuals having access to multiple financial systems. To remove or limit access to the systems for payment transactions would eliminate necessary redundancy given the limited staff resources. Without some system access redundancy, the timely completion of financial transactions could be delayed when staff are out of the office for various reasons.*

*Furthermore, the financial systems such as USAS and CAPPs have internal security controls that prevent the same individual from processing a payment from beginning to end. CPRIT began using the CAPPs financial modules on Sept. 1, 2017, and there are at least two different individuals involved in processing every payment transaction with required supporting documentation uploaded in the system. All payments in CAPPs originate through the procurement process, including travel expense reimbursements, or as a result of grant payment information transmitted to CAPPs after the grant reimbursement is approved in CPRIT's grant management system. In both situations, the expense is initiated and approved by staff other than the accountant. The accountant has authorized access to change profiles in TINS and can initiate payments in CAPPs. However, there are two other designated staff who can approve payments in CAPPs.*

*CPRIT does not process its own payroll. Instead, the Institute has an interagency agreement with the Health and Human Services Commission (HHSC) for human resources support, and HHSC processes CPRIT's payroll each month. While certain CPRIT staff have limited ability to release payroll, no CPRIT staff have access to all payroll processes because most of the responsibility resides with HHSC staff.*

### Comptroller Response

The Comptroller's office understands the difficulty in segregating accounting functions due to size limitation. Further, we appreciate the Institute's reliance on the system controls existing in CAPPs. However, because the conflicting roles identified in this audit report relate to other systems (TINS, USAS, SPRS, and signature card expedites approval ability), the security risks still exist. By not taking any actions to address these risks, the Institute will be accepting the risks and any possible associated impacts.