

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section  
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# Post-Payment Audit of Texas Department of Savings and Mortgage Lending



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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Texas Department of Savings and Mortgage Lending (Department) 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 Dec. 1, 2016 through Nov. 30, 2017, to determine compliance with applicable state laws.

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

Fifteen payroll transactions 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.

## Contracting and procurement processes

The audit included the review of one contract to Garza/Gonzalez for internal audit service with a contract value of \$12,740. All phases of contract development, planning, solicitation, award, payments, and monitoring were reviewed for compliance with the [State of Texas Procurement and Contract Management Guide](#), the Texas Government Code, the GAA, [eXpendit \(FPP I.005\)](#), and best practices.

- No issues were identified.

## Purchase transactions

Thirty 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.

The Department paid \$0.00 in prompt payment interest during the audit period.

## Travel transactions

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

- No issues were identified.

## Travel card transactions

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

- No issues were identified.

## Security

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

The audit identified:

- Control Weakness Over Expenditure Processing

## 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 Department'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 Department's payroll, purchase and travel transactions was concluded on Nov. 26, 2013. There were no findings noted in the prior report, therefore, there were no recurring errors noted.

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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Department placed on its accounting staff's ability to process expenditures. We reviewed the Department's security in USAS, USPS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on April 17, 2018. We did not review or test any internal or compensating controls that the Department might have relating to USAS, USPS or TINS security or internal transaction approvals.

The Department has two employees with conflicts. These employees can:

- process and release a payroll in USPS,
- edit direct deposit information for an employee in TINS and hire an employee in USPS,
- edit direct deposit information for an employee in TINS and process and/or release payroll in USPS,
- hire an employee in USPS and process and/or release a payroll in USPS,
- pick up warrants and approve paper vouchers,
- create/edit a vendor and vendor direct deposit information in TINS and enter and/or approve a payment voucher in USAS, and
- enter a voucher and release/approve the payment voucher in USAS.

The Department explained that due to its accounting staffing limitations it had some overlapping responsibility in its transaction approval process. However, based on the recommendation in the 2009 post-payment audit, the department implemented tools to strengthen internal controls and reduce the risk to state funds by activating an edit within USAS that warns the user when a document that the user entered is about to be released by the same user. They also implemented the use of a report to identify documents that the same user entered or altered and then released. The department was provided with a schedule of this finding during fieldwork.

We ran a report to see whether any of the Department'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 Department must implement the following recommendations:

1. The Department must work with Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.
2. The Department must limit the access of users who can create an employee profile in USPS to view only access in TINS (PTINS02). An individual must not be able to create an employee profile in USPS and change the employee payment instructions in TINS.
3. The Department must limit the access of users who can process and release/approve payroll in USPS to view only access in TINS (PTINS02). An individual must not be able to change an employee payment instruction and process and release payroll.
4. The Department must work with Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the ability to hire an employee in USPS and to process and release payroll transactions in USPS.
5. The Department must limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the user from the department's signature card.
6. The Department 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.
7. Although the Department had implemented mitigating controls to decrease risks associated with the same user entering and releasing payments in USAS, the risks still exist and segregation of these functions must be considered.

## Department Response

*Brief summary of actions taken to ensure compliance:*

*The Department has implemented recommendations 1,4, and 7, as required above, by modifying the access of users to the statewide systems USAS, USPS, and TINS.*

*The Department has implemented recommendation 5 by modifying the Agency Authorization for Warrant Pickup List.*

*The implementation of recommendations 2,3, and 6 was modified. Two of the accounting staff members will retain access in TINS that will allow them to have hold-maintenance update capabilities (PTINS 17). The new level of access is unrelated to vendor payments or payroll, and the Department believes it addresses the security concern.*

*The Department has updated all related procedures.*