

Fiscal Management Division
Statewide Fiscal Oversight Dept.
Expenditure Audit Section
Auditor: Melissa Hernandez

Audit Report # 533-18-01
September 28, 2018

Post-Payment Audit of the Executive Council of Physical Therapy and Occupational Therapy Examiners



Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Audit scope.....	i
Payroll transactions and payroll deductions	i
Purchase, fees and refund of revenue transactions	i
Travel transactions.....	ii
Special reports	ii
Security.....	ii
Internal control structure.....	iii
Fixed assets.....	iii
Prior post-payment audit and current audit recurring findings.....	iii
Other auditor observations	iii

Detailed Findings — Payroll

Missing Prior State Service Verification.....	1
Missing Personnel Action Forms	2

Detailed Findings — Purchase

Excessive Employee Award and Purchase Order Overpayment.....	3
Missing Documentation	4
Missing Department of Information Resources Exemption	5
Purchase Order Created After Invoice.....	6
Term Contract Not Utilized.....	7

Detailed Findings — Travel

Excessive Travel Reimbursement	8
Lack of Conservation of State Funds	9
Missing Documentation	10
Reimbursement of Unallowable Expense.....	11

Detailed Findings — Special Reports

Missing Direct Deposit Authorization Forms.....	12
---	----

Detailed Findings — Security

Employees Retained Ability and Security to Expend Funds After Termination/Authority Expired .	13
Inappropriate Use of Terminated Employee’s Mainframe User Account.....	15

Detailed Findings — Internal Control

Control Weakness Over Expenditure Processing/Confidential Treatment of Information Acknowledgement Form Missing.....	16
---	----

EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Executive Council of Physical Therapy and Occupational Therapy Examiners' (Council) 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.

The Council 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 Council should implement the recommendations listed in the Detailed Findings of this report. It is the Council'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 Council's documents comply in the future. The Council 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 \(FPP F.027\)](#) and other pertinent statutes. A limited sample of voluntary contributions was also audited.

The audit of the Council's 25 employee personnel files identified:

- Two missing prior state service verifications.
- Twelve missing personnel action forms (PAFs).

Purchase, fees and refund of revenue transactions

Purchase, fees and refund of revenue 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 45 transactions identified:

- One excessive employee award/invoice amount greater than purchase order.
- Ten transactions missing documentation.
- One transaction missing Department of Information Resources (DIR) exemption.

- Two purchase orders created after invoice.
- One term contract not utilized.

No issues were identified for refund of revenue transactions.

Travel transactions

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

The audit of 30 travel transactions identified:

- Three instances of excessive reimbursement.
- Two instances of lack-of-conservation of state funds.
- Fifteen instances of missing documentation.
- One reimbursement of unallowable expense.

As provided by [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of the state agency and its officers and employees to ensure the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper and fiscally responsible. Missing supporting documentation for 50% of the sample selected indicates lack of the basic business management and monitoring controls essential to maintaining appropriate accounting and financial operations. The Council should make all efforts to establish these controls immediately.

Special reports

A review was conducted of the Council's procedure to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The audit of 10 forms identified:

- Two direct deposit forms that were not obtained by the Council.

Security

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

The review identified:

- Three employees retained ability to expend funds after termination.
- One employee retained security to expend funds after authority expired.
- One inappropriate use of terminated employee's mainframe user account.

Internal control structure

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

The review identified:

- Three employees could process and release payments in USAS.
- Three employees could pick up warrants from the Comptroller's office and approve paper vouchers.
- Three employees could adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.
- Two employees could process and release payrolls without electronic oversight.

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 Council'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 Council's payroll, purchase and travel transactions was concluded on May 29, 2012.

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

- Purchase order created after invoice.
- Payment in excess of the maximum allowable rate.
- Control weakness over expenditure processing.

Other auditor observations

We also noted that the Council does not have formal procedures governing its accounting operations. Policies and procedures are an important management tool in any organization. They provide a link between the organization's overall goals and objectives and its day-to-day operations. Policies and procedures in general are designed to give employees an understanding of their roles, responsibilities, and limitations.

Contact:
Melissa Hernandez, CTCM, CTPM
512-463-3254

Contributing Auditors:
Akeem Tory
Eunice Miranda

DETAILED FINDINGS — PAYROLL

Missing Prior State Service Verification

Finding

Prior state service verification records were missing for two employees in our payroll sample. The employees listed their prior state service time on their job application; however, the Council did not have documentation to show state service verification was conducted at the time the employees were hired. The Council stated the errors occurred due to oversight.

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 [Texas Payroll/Personnel Resource – Required Documentation](#).

During the audit, the Council conducted the prior state service verification for the two employees in our sample and provided the auditor with the required documentation to validate the longevity pay amounts for these employees.

When an agency hires an employee, the agency must research if the employee has prior state service. If there is prior state employment, the agency must:

- Confirm the amount of lifetime service credit.
- Compute the correct amount of longevity pay entitlement.

If the agency fails to do this, the lifetime service credit for longevity will be based on the employment date at the new agency and the eligible employee might be underpaid longevity pay. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

Recommendation/Requirement

We recommend the Council continue to research and verify prior state service time for its employees. In addition, the Council should ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files.

Council Response

The Council agrees with the recommendation.

All prior state service employment has been verified for all Council employees. The Council reviewed all employees with prior state service time for properly documented and accurate verifications.

The verifications were completed in October of 2017.

Missing Personnel Action Forms

Finding

During our review of the Council's personnel files, we identified 12 instances where the Council could not locate Personnel Action Forms (PAFs) and/or were missing documentation to support a payroll action. The Council was able to locate some PAFs; however, they were incomplete. The PAFs were missing the effective date of the action and the approval signature. The types of actions included terminations, a merit increase and a new hire. According to the Council, the original PAFs were misfiled.

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

Recommendation/Requirement

We recommend the Council review its human resources files and re-create any missing documentation to support all personnel actions for its employees. The Council must ensure that all PAFs are signed, dated, and retained in the employees' human resources files.

Council Response

The Council agrees with the recommendation.

All missing personal actions forms have been updated. The Council reviewed all employee files located, and/or re-created the missing documentation to support the personnel actions for that employee. The review was completed in October 2017.

DETAILED FINDINGS — PURCHASE

Excessive Employee Award and Purchase Order Overpayment

Finding

We identified a transaction where the Council purchased an engraved clock for an employee's retirement, which cost \$180. The invoice was processed due to employee turnover according to the Council. Additionally, we noted where the Council paid \$10 more than the authorized dollar amount on the purchase order (PO) for additional services. The Council failed to amend the original PO to increase the dollar amount and include additional services the vendor provided.

[Texas Government Code, Section 2113.201](#) states, "A state agency may use appropriated money to purchase service awards, safety awards, or other similar awards to be presented to its employees for professional achievement or outstanding service under policies adopted by the agency." This statute also states, "the cost of awards purchased under this section may not exceed \$100 for an individual employee."

A PO is a contract entered into by the state and a vendor. The authorized dollar amount paid on a contract may not exceed the amount listed on the PO without properly documenting an amendment to the original PO prior to the vendor providing goods or services. The Council may pay only the contracted amount as shown on the PO. If any charges are not included in the PO, the Council does not owe the charges and they should not be paid.

Recommendation/Requirement

The Council must ensure that its employee awards do not exceed \$100 for an individual employee. The Council must properly review and compare the invoices to the contract to ensure payments do not exceed the amounts authorized in the contract and any amendments to the original contract are documented.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued training on the purchasing and payment process. The Council's internal purchasing policy has been updated.

Missing Documentation

Finding

We identified seven purchase and two fee transactions where the Council could not provide documentation to substantiate its compliance with pertinent requirements, such as the appropriate documentation trail for all expenditures. One of the seven transactions was missing both a receipt and receiving documentation to verify receipt of goods. The Council was unable to locate the documentation and said it was missing due to employee turnover. Without proper invoices, purchase orders (PO), contracts, receipts and other supporting records, we could not determine whether the information entered into USAS was an accurate reflection of the intended purchases made or whether the proper procurement process was followed.

It is the responsibility of an agency, its officers and employees, to ensure the maintenance of necessary documentation for proving that each payment resulting from a purchase 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 PO, 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 appropriation year after the appropriation year in which the transaction was processed in USAS. See [34 Texas Administration Code Section 5.51\(e\)\(5\)\(A\)](#). Agencies are also required to adhere to the [Texas Government Code, Sections 2155.074, 2156.009 and 2161.253](#), to obtain the best value in the pursuit of every purchase and maintain adequate documentation.

Missing supporting documentation for 50% of the sample selected indicates lack of the basic business management and monitoring controls essential to maintaining appropriate accounting and financial operations. The Council should make all efforts to establish these controls immediately.

Recommendation/Requirement

The Council must enhance its process to ensure that it abides by the procurement procedures stipulated in the [State of Texas Procurement and Contract Management Guide](#). The Council must ensure that it has 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.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued training on the purchasing and payment process. The Council's internal purchasing policy has been updated. The Council has implemented scanning of P.O.s and vouchers.

Missing Department of Information Resources Exemption

Finding

We identified one purchase for a unique IT good not available through a DIR term contract, which omitted the mandatory procurement procedure to receive authorization from DIR beforehand. The Council used an outside vendor without proper permission. Due to employee turnover, the Council was unsure why they did not request an exemption to allow using a non-contracted vendor for this purchase.

[Texas Government Code, Chapter 2157](#), requires state agencies to purchase hardware and/or software goods, as well as technical services through DIR cooperative contracts. However, [Texas Government Code, Section 2157.068\(f\)](#), in addition to [1 Texas Administrative Code Sections 212.10](#) and [212.20](#), state that, only if a product or service is not available via an existing purchasing program developed by DIR, a state agency can opt to use a different vendor as a secondary source if allowed by DIR through the approval of a one-time exemption request. See [State of Texas Procurement and Contract Management Guide – Procurement Method – Information Technology Procurements](#).

In order to save time and money on technology purchasing, DIR has more than 750 contracts in place, all competitively bid as per Texas state requisites. If the goods or services must be acquired from a source other than DIR as set forth in its catalog, as the next step, an exemption request form must be submitted to DIR. If the exemption is granted, the Council may utilize outside vendors. See [State of Texas Procurement and Contract Management Guide – Procurement Method – Information Technology Procurements](#).

Recommendation/Requirement

The Council must follow the procedures outlined in the [State of Texas Procurement and Contract Management Guide](#) for IT goods or services. The Council must obtain an exemption request authorization from DIR and make it part of its pertinent procurement documentation file every time it buys IT goods or services from a source other than DIR cooperative contracts.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued training on the purchasing and payment process. The Council's internal purchasing policy has been updated.

Purchase Order Created After Invoice

Finding

We identified three out of 30 purchase transactions where the PO was created after the invoice was received. Due to employee turnover, the Council was unable to determine why these erroneous transactions took place.

Without a PO with the vendor at the time the goods or services were ordered, it becomes difficult to ensure the state agency was not overcharged or billed for goods or services beyond those it agreed to purchase beforehand. See [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), which 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.”

Recommendation/Requirement

While a formal PO is not always required, documentation of the agreement must be prepared at the time the goods or services are ordered from the vendor. The PO needs to 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 transaction documents.

Council Response

The Council agrees with the recommendation.

The Council’s staff has been re-trained and will receive continued training on the purchasing and payment process. The Council’s internal purchasing policy has been updated.

Term Contract Not Utilized

Finding

We identified a transaction where the Council did not utilize term contracts to purchase goods and services.

[State of Texas Procurement and Contract Management Guide](#) – Procurement Method – SPD Non–Delegated Purchases – Term Contracts states that “Agencies are not allowed to use delegated authority to purchase goods or services that are available through a statewide Term Contract, unless the quantity required is less than the minimum order quantity specified in the relevant Term Contract.”

Recommendation/Requirement

The Council must determine if an item exists on an existing Statewide Procurement Division (SPD) term contract before procuring the item. The term contracts can be viewed online at [TxSmartBuy](#). The Council may inquire about registering for training related to this finding through SPD’s [Training and Policy Development Program](#) website.

Council Response

The Council agrees with the recommendation.

The Council’s staff has been re-trained and will receive continued training on the purchasing and payment process. The Council’s staff has completed the Basic Texas Purchaser Course. The Council’s internal purchasing policy has been updated.

DETAILED FINDINGS — TRAVEL

Excessive Travel Reimbursement

Finding

We identified one travel payment for lodging and meals that was in excess of the allowable reimbursement rate for the location based on the U.S. General Services Administration (GSA) rates. The traveler was a board member for the Physical Therapy Examiners; however, travel reimbursement rates are the same as state employees per [Texas Occupations Code, Section 453.057](#). We also noted that the incorrect lodging rate resulted in overages for both the state and city tax calculations. The Council stated these errors occurred due to employee turnover.

The council member may only be reimbursed actual lodging expense not to exceed the maximum lodging reimbursement rate for that location. Agencies must use the federal rates provided by the GSA for both in-state and out-of-state travel within the contiguous United States. See [Textravel – Meals and Lodging](#).

Agencies must ensure that all travel reimbursements are examined prior to payment to ensure compliance with regulation. See [TexTravel – Responsibilities](#). According to [Texas Government Code, Section 660.007\(a\)](#), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. The agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances.

Recommendation/Requirement

The Council should increase training for the individuals who review travel vouchers to ensure that only eligible expenses are reimbursed. The Council should seek a reimbursement from the employee unless it determines it is not cost effective to do so.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued training on travel reimbursement. The Council's staff has completed and will receive continued travel training offered by the Comptroller's office.

Lack of Conservation of State Funds

Finding

We identified two instances where the Council reimbursed travelers for mileage while operating a personal vehicle to conduct official business. However, based on the applicable car rental rates, related tax, cost of gas and the standard mileage rates in effect at the time of travel, we determined that it was more cost effective to the state for the travelers to use a rental vehicle instead of a personal vehicle. The Council did not have policies and procedures in place that require employees to prepare a cost comparison between using a rental car versus personal vehicle prior to travel.

According to [Texas Government Code, Section 660.007\(a\)](#), “A state agency shall minimize the amount of travel expenses paid or reimbursed by the agency and the agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances.”

Recommendation/Requirement

The Council must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. The Council should develop procedures for travelers to complete a cost comparison analysis before each trip showing the cost of using a rental car versus that of using a personal vehicle to ensure the most cost-effective alternative is used.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued training on travel reimbursement. The Council's staff has completed and will receive continued travel training offered by the Comptroller's office.

Missing Documentation

Finding

We identified 15 out of 30 travel reimbursement transactions in which the Council was unable to provide the documentation needed to verify the validity of the payments. We also conducted a review of a report generated outside of our sample and identified two of 10 non-employee travel transactions missing documentation. According to the Council, employee turnover led to the agency being unable to locate the supporting documentation.

Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the transactions made. Documentation must be maintained to verify that the payments or reimbursements are valid as well as to maintain a proper audit trail.

As provided by [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of the state agency, its officers and employees to ensure the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper and fiscally responsible. Supporting documentation must be made available to the Comptroller's office in the manner required. See [TexTravel – Documentation Requirements](#).

Recommendation/Requirement

A state agency must maintain supporting documentation specifically required by state travel rules and guidance, as well as any other documentation that is reasonably necessary to prove the legality and fiscal responsibility of the agency's travel reimbursements. For a state employee to be reimbursed for a travel expense, the employee must provide specific facts and figures. The Council must obtain proper documentation for travel expenses prior to processing payment.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued training on travel reimbursement. The Council's staff has completed and will receive continued travel training offered by the Comptroller's office. The Council's internal travel policy will be revised. The Council has implemented scanning of P.O.s and vouchers.

Reimbursement of Unallowable Expense

Finding

We identified one travel voucher where the Council reimbursed a council member for travel expenses related to their attendance of a council meeting that was not allowable. Due to employee turnover, the Council could not determine the cause of the payment being processed incorrectly.

In accordance with [Texas Occupations Code, Section 452.057\(b\)](#), a council member “may receive reimbursement for transportation expenses as provided by the General Appropriations Act” but “may not receive reimbursement for any other travel expenses, including expenses for meals and lodging.” [Texas Government Code, Section 660.007\(a\)](#), states that “A state agency shall minimize the amount of travel expenses paid or reimbursed by the agency.” The statute also states that, “The agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances.”

State agencies must ensure that all travel reimbursements are examined prior to payment to ensure compliance with all applicable regulations and limitations. See [TexTravel – Responsibilities](#).

Recommendation/Requirement

The Council should increase training for the individuals who review travel vouchers to ensure that all travel expense claims are accurately reviewed for legality and accuracy prior to payment. The Council should seek a reimbursement from the council member unless it determines it is not cost effective to do so.

Council Response

The Council agrees with the recommendation.

The Council’s staff has been re-trained and will receive continued training on travel reimbursement. The Council’s staff has completed and will receive continued travel training offered by the Comptroller’s office. The Council’s internal travel policy will be revised.

DETAILED FINDINGS — SPECIAL REPORTS

Missing Direct Deposit Authorization Forms

Finding

We conducted a review of the Council's procedures regarding compliance with the federal mandate to properly identify and handle payments that involve moving funds internationally. Of the 10 vendors selected and reviewed, two direct deposit authorization forms were missing. Without a properly completed form on file, the Council was unable to indicate whether state funds were forwarded to a financial institution outside the United States.

Due to federal requirements mandated by the Office of Foreign Assets Control, the National Automated Clearing House Association has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid potential federal penalties, the Council must:

- Be able to show due diligence in processing of all direct deposit payments.
- Do its best to ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside the U.S.

According to the Council, failing to obtain the direct deposit forms earlier was an oversight due to a lack of understanding of the federal requirement. The Council contacted the two vendors and obtained properly completed forms.

Recommendation/Requirement

The Council must ensure that all payees that request direct deposit payments submit a completed direct deposit authorization form with the international payment verification question answered and the form signed. A direct deposit authorization form should not be processed if the proper form is not submitted, if the International Payment Verification section is left blank or if the form is unsigned.

Council Response

The Council agrees with the recommendation.

The Council's staff had received training on the direct deposit processing.

The Council has updated employee staff files to include the current direct deposit authorization form with the international payment verification question.

DETAILED FINDINGS — SECURITY

Employees Retained Ability and Security to Expend Funds After Termination/Authority Expired

Finding

During the audit period, the Council did not notify the Comptroller's office about the termination of three employees designated by the Council to approve its expenditures. Also, two employees remained listed on the Council's voucher signature cards for 16 and 46 days following termination. According to the Council, the employee remained on the signature card and USAS security because the security coordinator was new to the position and was unaware of this requirement.

The Council is required to notify the Comptroller's office within five days after termination, as a result the Council's notification was delinquent. During that time, the former employees could have approved paper vouchers submitted to the Comptroller's office, and any payment produced by a paper voucher approved by the employee's expired authority would have constituted an unapproved expenditure. We verified that no paper vouchers were approved by the employee after the date of termination. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

The lack of timely notification also meant the three employees retained USAS security for up to fifty days after termination, so the employees could have approved electronic vouchers during that time. When an employee's authority to approve an agency's expenditures is revoked or terminated for any reason, the employee's USAS security profile 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. We verified that the terminated employees did not approve any electronic vouchers or release any payment documents after the termination date. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

Any officer or employee may send the Comptroller's office notification of termination or revocation. See [Section 5.61\(k\)\(3\)\(B\)](#). Additionally, [Section 5.61](#) 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 a designated employee has terminated employment or had security revoked and specifies the effective date of the revocation/ termination.

Recommendation/Requirement

The Council must enhance its controls to ensure compliance with the [34 Texas Administrative Code Section 5.61](#) requirements. The Council must also ensure the person responsible for notifying the Comptroller's office of the designated employee's termination does so on or before the effective termination date and follows through with the Comptroller's office to ensure the notification was received and the revocation occurred.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued security coordinator training.

Inappropriate Use of Terminated Employee's Mainframe User Account

Finding

During the audit period, the Council inappropriately used a terminated employee's Comptroller mainframe user identification number and password to update a vendor's information in the Texas Identification Number System (TINS) to process a payment. The Council stated it was having difficulty setting up the security profile of a new employee assuming the duties of the terminated employee and needed to issue a vendor payment.

An individual may not disclose the individual's user identification number or password, or both, to any individual or entity. Therefore, an individual may not authorize another individual to issue or release any payment document by using the first individual's user identification number and password. [Texas Penal Code, Section 33.02\(b\)](#) makes it a criminal offense to knowingly access a computer, computer network, or computer system without the effective consent of the computer owner. See [34 Texas Administrative Code Section 5.61\(o\)\(5\)](#).

Recommendation/Requirement

The Council must enhance its controls to ensure compliance with the system users' revocation and termination requirements. The Council must also ensure the person responsible for notifying the Comptroller's office of the designated employee's termination does so on or before the effective termination date and follows through with the Comptroller's office to ensure the notification was received and the revocation occurred.

Council Response

The Council agrees with the recommendation.

The Council's staff has been re-trained and will receive continued security coordinator training.

DETAILED FINDINGS — INTERNAL CONTROL

Control Weakness Over Expenditure Processing/Confidential Treatment of Information Acknowledgement Form Missing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Council placed on its accounting staff's ability to process expenditures. We reviewed the Council's security in USAS, USPS, TINS and voucher signature cards that were in effect on Feb. 16, 2016. We did not review or test any internal or compensating controls that the Council may have relating to USAS, USPS or TINS security or internal transaction approvals.

We identified five employees with multiple security capabilities.

- Three employees could pick up warrants from the Comptroller's office and were on the signature card to approve paper vouchers.
- Three employees could process and release payments through USAS.
- Three employees could adjust payment instructions in TINS and approve vouchers.
- Two employees could process and release payrolls without electronic oversight.

The Council explained that due to its accounting staff limitations, it had some overlapping responsibility in its transaction approval process. The Council was provided with a schedule of this finding during fieldwork.

We ran a report to determine whether any of the Council's payment documents processed through USAS during the audit period because of the action of only one person. There were two-hundred and nine USAS documents and eighteen USPS documents that were either entered and approved, or altered and approved, by the same person without another person's electronic oversight. These documents resulted in payments totaling \$1,576,412.24. The payments were reviewed during the audit and determined to be valid expenditures. We provided the Council with a copy of this report during fieldwork.

As a routine part of our security review, we reviewed the Council's compliance with the requirement that all agency users of the Comptroller's statewide financial systems complete a Confidential Treatment of Information Acknowledgment (CTIA) form. When a new user needs access to the Comptroller's statewide financial systems, the agency's security coordinator has the new user read and sign the CTIA form. A reviewing official signs the agreement and the agency's security coordinator keeps it on file for as long as the user has access to the systems, plus five years. In our review, we identified two instances where CTIA forms were not completed for the individuals who had accessed the Comptroller's statewide financial systems. The Council stated this was due to an oversight from the previous administration.

Recommendation/Requirement

The Council should review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure that no individual is able to process payments without oversight.

The Council must implement the following recommendations:

1. The Council 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 and with it the ability to approve/release paper and electronic vouchers.
2. The Council 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.

Additionally, the Council should 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 \(FPP B.005\)](#).

The Council should review 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.

3. The Council 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.
4. The Council 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.
5. The Council should enhance its procedures to ensure that the original CTIA form is kept on file as long as the user has access to the statewide accounting systems, plus the five-year retention period.

Council Response

The Council has updated the Agency Authorization for Warrant Pickup form and the agency's signature card list.

As the Council is a small agency, it is difficult to have the small number of staff maintain a complete separation of duties at all times. The Council's executive director has complete oversight of all the accounting staff members and signs off on all tasks and duties. The Council has fully empowered the Senior Accountant to authorize the level of security needed for the accounting staff. This in-depth responsibility requires a very high level of honesty, integrity, and trust from anyone it is given to. However, the Council has taken precautions to mitigate the risk. All purchase vouchers, travel vouchers, and payroll are handled by two individuals. One enters the transaction and a different user releases the transaction.

The Council will update the document tracking control edit on the D02 in USAS.

The Council has reviewed and updated CTIA forms on file and the security coordinator has been re-trained and will receive continued security coordinator training.