

Fiscal Management Division
Statewide Fiscal Oversight Dept.
Expenditure Audit Section
Auditor: Aleks Nećak

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Post-Payment Audit of the Texas Office of Consumer Credit Commissioner



Glenn Hegar
Texas Comptroller of Public Accounts

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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Office of Consumer Credit Commissioner (Office) 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 Office 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 Office should implement the recommendations listed in the Detailed Findings of this report. It is the Office'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 Office's documents comply in the future. The Office 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

Seventy-two payroll transactions from a group of 20 employees were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and other pertinent statutes.

The audit identified:

- One employee was missing prior state service verification.

A sample of 10 voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

One hundred 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:

- Two contracts had missing System for Award Management (SAM) search documentation.

Refund of revenue transactions

Ten refund-of-revenue transactions were audited for validity and correct use of accounting codes according to the [Texas Comptroller Manual of Accounts \(FPP Q.009\)](#).

- No issues were identified.

Travel transactions

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

- No issues were identified.

Travel card transactions

Five 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 Office's employees with security in USAS, USPS, 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 Office's internal control structure was reviewed. The review was limited to obtaining an understanding of the Office's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Two employees had the ability to process and release payrolls, and could also pick up warrants from Comptroller's office and approve paper 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 Office'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 Office's payroll, purchase and travel transactions was concluded on May 2, 2014.

During the current audit, the following recurring finding was identified:

- Control weakness over expenditure processing.

Contact:

Scott Coombes, CIA, CISA
(512) 305-9813

Contributing Auditors:

Alberto Lañas, MBA, CTCM
Derik Montique, MBA, CFE, CGFM

DETAILED FINDINGS — PAYROLL

Missing Prior State Service Verification

Finding

Prior state service verification records were missing for one employee out of 20 in our payroll sample. The employee's payroll records listed prior state service time from three agencies; however, the Office did not have documentation to show state service verification was conducted at the time the employee was hired.

During the audit, the Office conducted the prior state service verification for the employee in our sample and provided the auditor with the required documentation to validate the longevity pay amount for the employee.

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 may be underpaid longevity pay. See [Texas Payroll/Personnel Resource – Required Documentation](#).

Recommendation/Requirement

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

Office Response

New employee onboarding requirements and process have been revised to ensure that prior service verifications have been formally requested and received from any state agency listed as a prior employer on a new employee's application. The employee file will remain in a suspense status until the verification has been received.

A review of all current employee files for missing prior service verifications will be completed. 12.5% of the files have already been reviewed for prior service verifications. The remaining 87.5% of files will be reviewed for prior service verification over the next four months. Any files that indicate prior service for which verifications forms are not on file will be obtained.

DETAILED FINDINGS — PURCHASE

Missing Vendor System for Award Management Verification

Finding

We identified two transactions out of 100 where the Office did not provide required System for Award Management (SAM) printouts dated prior to its respective contract awards. According to the Office, missing SAM printouts were an oversight. The Office also stated that it will ensure searches are performed and documented in the procurement file.

Agencies must not award contracts to vendors who have been barred from contracting with the federal government. The SAM is the electronic database of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs that identifies 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 must be checked seven days prior to any purchase, award or contract renewal being made by Texas state government entities. See [State of Texas Procurement and Contract Management Guide](#) – Vendor Compliance Verifications section.

Recommendation/Requirement

The Office must conduct and document a SAM search prior to any purchase, award or contract renewal. The 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 Office 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 performed by the agency and must be included in the contract file.

Office Response

All procurement staff have been retrained on the proper procedure for procurement to ensure that a SAM search is conducted and documented prior to the purchase.

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 Office placed on its accounting staff to process expenditures. We reviewed the Office's security in the Uniform Statewide Accounting System (USAS), Uniform Statewide Payroll/Personnel System (USPS), Texas Identification Number System (TINS) and voucher signature cards that were in effect on Oct. 10, 2017. We did not review or test any internal or compensating controls that the Office may have relating to USAS, USPS or TINS security or internal transaction approvals.

The Office had two employees who could process and release payrolls through USPS, pick up warrants from the Comptroller's office, and approve paper vouchers without oversight. The Office explained that due to its accounting staffing limitations it had some overlapping responsibility in its transaction approval process. The Office was provided with a schedule of this finding during fieldwork.

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

Recommendation/Requirement

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

- The Office 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.
- The Office 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.

Office Response

The OCCC must maintain appropriate authorization for staff with primary responsibility to initiate transactions and approve transactions. The agency also has staff with backup responsibility to initiate transactions and approve transactions. Despite significant efforts to ensure appropriate internal controls, as a small state agency, those backup responsibilities have some overlap, even though the authorization is rarely necessary. A user is prohibited by internal procedure from performing both entry and approval of a transaction and no evidence of a breach of this procedure has been identified. The agency will work with the Comptroller's office Statewide Fiscal Systems security staff to determine if there

are any other safeguards that may be implemented in USPS to separate the entry and approval of payroll transactions. One of the users identified in the finding was removed from authorization to enter transactions in Oct 2017. The remaining user must retain the entry authority to serve as a backup to the primary user who handles the entry of payroll transactions. The agency will also explore further documentation in its payroll files to evidence the separation of entry and approval of these transactions.

The Agency Authorization for Warrant Pickup list was amended in April 2018 and one of the two users identified in the finding was removed from the authorization. The Agency Authorization for Warrant Pickup list was again amended in August 2018 and the other user identified in the finding has also been removed.