



An Audit of the Texas Commission on Environmental Quality

Audit Report # 582-18-01
January 30, 2019

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Executive Summary

Purpose and Scope

Objectives of the Texas Commission on Environmental Quality (Commission) audit were to determine whether:

- Payments were processed according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Capital and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit is conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period beginning March 1, 2016, through Feb. 28, 2017.

Background

The Texas Commission on Environmental Quality is the environmental agency for the state. Through various air, land, water, licenses, permits and reporting programs, the Commission collects more than 100 fees. The Commission offers state and federal funding opportunities to a variety of groups, individuals, and governmental entities to carry out programs supporting its mission. The Commission has approximately 2,800 employees located in the Austin central office and 16 regional offices around Texas.

**Texas Commission on
Environmental Quality website**


<https://www.tceq.texas.gov/>

Audit Results

The Commission generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with payroll, grants, payment cards, refund of revenue transactions and system security. However, the Commission should consider making improvements to the Commission's travel, purchase and internal control structure processes. The Commission received schedules of these findings during fieldwork.

The auditors reissued one finding from the last audit conducted at the Commission related to internal control structure. Auditors originally issued this finding in August 2012. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Travel Transactions</u>	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • There were eight incorrect uses of the travel central bill account. • There was one unauthorized use of a state travel card. 	Compliant, Findings Issued
Purchase Transactions	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grant Transactions	Did grant payments comply with the state laws and regulations pertaining to grants/loans and other pertinent statutes?	No issues	Fully Compliant
Payment Card Transactions	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Refund of Revenue Transactions	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Security	Did all system access to process payments comply with all the Comptroller security guidelines?	No issues	Fully Compliant
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Auditors identified two employees with overlapping access for multiple processes. Auditors did not detect any payment documents processed because of a single employee's actions.	Compliant, Findings Issued



Repeat Finding



Area	Audit Question	Results	Rating
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant



Repeat Finding

Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The Commission should continue to monitor its Rapid Advance for Travel (RAFT) card program to ensure amounts loaded on the RAFT card are for expenses that are eligible for direct payment only.
- The Commission must ensure that all state-issued travel cards are properly used in accordance with applicable rules and requirements, and that credit card holders are offered periodic training on the cards' proper use.
- The Commission must have or implement additional controls over expenditure processing that segregate each accounting task to the greatest extent possible.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample from a group of 40 employees and 153 payroll transactions to ensure that the Commission complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions. Additionally, a limited sample of 10 voluntary contributions transactions were audited with no exceptions identified.

An additional 16 employees' files identified in a prior state service payroll report outside of the sample were audited. Audit tests revealed insignificant instances of non-compliance, which were reported to the Commission in a separate management report.

Travel Transactions

Auditors developed a representative sample of 50 travel transactions to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

An additional 20 travel card transactions from a special report outside the sample were tested. Audit tests revealed the following exceptions in the travel transactions.

Incorrect Use of Travel Central Bill Account

In a report generated outside the sample, we identified eight instances where the Commission used the travel central bill account incorrectly. The Commission had an established RAFT charge card program using a Citibank travel central bill account to provide employees on business travel a convenient way to pay for travel expenses, including meals and incidental expenses. The Commission's travel card administrator informed Citibank of the pre-approved amount and Citibank loaded the RAFT card with the approved amount required to cover the expenses for the dates of the travel event. The Commission issued payment to Citibank using appropriated funds from the treasury.

Based on statute, the Commission did not have the authority to directly pay for certain meals and incidental expenses. When using a Citibank travel central bill account, there are only certain travel-related expenses that can be directly charged by a state agency or institution of higher education for this account type.

Only if a state agency directly pays for a commercial lodging establishment, a credit card issuer or a travel agency for lodging expenses incurred by an agency's employees, may the agency also directly pay meal expenses incurred by the employee at that lodging



establishment. See [Texas Government Code, Section 660.111-118](#). Also, [Texttravel – Direct payment of meal expenses](#). All other expenses would be paid by the traveler and then reimbursed.

Effective Oct. 1, 2017, the Commission updated their RAFT card policies and procedures to not include meals and incidental expenses on the RAFT travel card.

Recommendation/Requirement

We recommend the Commission continue to monitor its RAFT card program to ensure that the amounts approved to be loaded on the RAFT card are for expenses that are eligible for direct payment only.

Commission Response

The commission updated the RAFT card policy and procedures to not include meals and incidental expenses on the RAFT travel card. Meals and other expenses are treated as reimbursement after the employee first pays the cost and the expenses are reviewed by their management.

Unauthorized Use of State-Issued Travel Card

In a report generated outside the sample, we identified one instance where an employee used the state-issued travel card to purchase a personal item in the amount of \$1,373.97. The Commission stated that in March 2016 the employee charged furniture to the state-issued travel card in error. The employee paid the balance on the state-issued travel card in full in May 2016.

The Commission indicated that its internal procedures require monitoring of expenditures made with the state-issued credit card, but in this instance its review did not detect the purchase of a personal item. The Commission stated it would modify its monitoring process to ensure personal transactions do not occur in the future.

The Commission canceled the employee's state-issued travel card in August 2016.

[34 Texas Administrative Code](#)

[Section 20.413\(d\)\(2\)](#), states that state agencies shall cancel a state-issued travel credit card when the employee:

- Fails to timely pay the charges,
- Uses the card for personal transactions, or
- Is responsible for any other misuse of the credit card.

Recommendation/Requirement

The Commission must ensure that all state-issued travel card transactions are properly reviewed. In addition, the Commission must ensure that its travel cards are used in accordance with applicable rules and requirements. The current state credit card



administrator, Citibank, offers reports that can assist the Commission in monitoring employee credit card usage. The Commission should consider offering periodic training to its credit card holders on proper use of state-issued credit cards.

Commission Response

The Commission canceled the employee's state-issued travel card upon the discovery.

A monthly review by the agency's travel charge card administrator has been implemented. The travel charge card administrator worked with the charge card vendor, Citibank, to determine the appropriate reports to review each month.

Reports generated and reviewed:

- *GCMS report: DETAIL SPEND ANALYSIS BY ACCOUNT*
Reviewed per active account for the month for retail services transactions.
- *CitiManager Report: MERCHANT CITY EQUALS CARD HOLDER ACCOUNT CITY*
Reviewed per active account for the month for unauthorized transactions within headquarters.
- *CitiManager Report: DECLINED AUTHORIZATIONS REPORT*
Reviewed per active account for the month for reasons for declined authorizations to identify any patterns of misuse.

Upon completion of the review, emails are sent to card holders on questionable charges requesting additional documentation or justification. Appropriate action is taken according to the response and the validity of the charge(s), up to and including termination of charge card privileges.

Purchase Transactions

Auditors developed a representative sample of 77 purchase transactions to ensure that the Commission complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes. Audit tests revealed insignificant instances of non-compliance that were reported to the Commission in a separate management report.

The Commission paid \$4,881.56 in related prompt payment interest during the audit period.

Grant Transactions

Auditors developed a representative sample of 10 grant transactions to ensure the Commission complied with the state laws and regulations pertaining to grants/loans and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.



Payment Card Transactions

Auditors developed a representative sample of 20 payment card transactions to ensure the Commission complied with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Refund of Revenue Transactions

Auditors developed a representative sample of 10 refund-of-revenue transactions to ensure the Commission complied with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Security

The audit included a security review to identify any of the Commission'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. Audit tests revealed no security exceptions.

Internal Control Structure

Control Weakness over Expenditure Processing

The review of the Commission's internal control structure was limited to obtaining reports identifying current users access. The review did not include tests of existing mitigating controls. The audit tests revealed the following exceptions in user access.

The planning process for the post-payment audit included review of certain limitations that the Commission placed on its accounting staff's ability to process expenditures. The security in the Uniform Statewide Accounting System (USAS), the Uniform Statewide Payroll/Personnel System (USPS), and the Texas Identification Number System (TINS) was reviewed, as well as voucher signature cards that were in effect on Aug. 3, 2017. Internal or compensating controls that the Commission has relating to USAS, USPS, or TINS security/transaction approvals were not reviewed.

The Commission has two employees who could adjust vendor profiles in TINS and approve paper vouchers and one employee who could process and release payrolls without oversight. We ran a report to determine whether any of the Commission's payment documents were processed through USAS during the audit period because



of the action of only one person. There were no documents that were either entered and approved, or altered and approved, by the same person without another person's electronic oversight. The Commission stated that due to limited number of staff, employees have multiple roles in processing but internal control structure is maintained internally.

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 Commission has removed TINS setup access from one of the two employees who can approve paper vouchers. The Commission also has internal policies for its internal accounting system that prevent employees from processing and releasing payrolls in the same month.

The Commission must implement the following recommendations:

- The Commission must limit the access of users who can enter/change vouchers or release/approve batches 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.
- The Commission must work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS. This will prevent an individual from creating a payroll transaction in USPS and approving it without oversight.

Commission Response

The Commission has removed the ability to release/approve vouchers from the work lead associated with the finding. As mentioned in the audit report, the Commission removed access to TINS from the supervisor identified. Neither employee identified with TINS access had the ability to create a transaction in USAS or the internal accounting systems. It was not possible for an entity to complete all of the transaction in USAS. In addition, the internal accounting system utilized by the agency requires users to have specific authority to send to USAS; neither entity identified has the ability to send to USAS in the system.

Secondly, the Commission's users with both edit/create and release/approve are not able to create/modify a transaction in USAS and then release the same documents. USAS system configuration for the Commission prevents this action and does not allow a single person to complete all parts associated with a transaction. The segregation of duties were maintained at all times during this period for USAS payments.



Comptroller Response

The Commission must ensure that its user profiles are set up in USPS to prevent any individual from entering and approving payroll transactions without oversight by any other employee.

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 Commission's internal system. All assets tested were in their intended location, properly tagged, and properly recorded in the State Property Accounting system.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the Uniform Statewide Accounting System (USAS) and either:
 - The Uniform Statewide Payroll/Personnel System (USPS),
 - The Standardized Payroll/Personnel Report System (SPRS) or
 - The Human Resource Information System (HRIS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

We audited a sample of the Texas Commission on Environmental Quality (Commission) 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.

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.

The Commission 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 Commission should implement the recommendations listed in the Detailed Findings of this report. It is the Commission'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 Commission's documents comply in the future. The Commission must ensure that the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcations or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what course of action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Non-compliant

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Non-compliant

Repeat Finding

Definition	Icon
This issue was identified during the previous post-payment audit of the agency.	