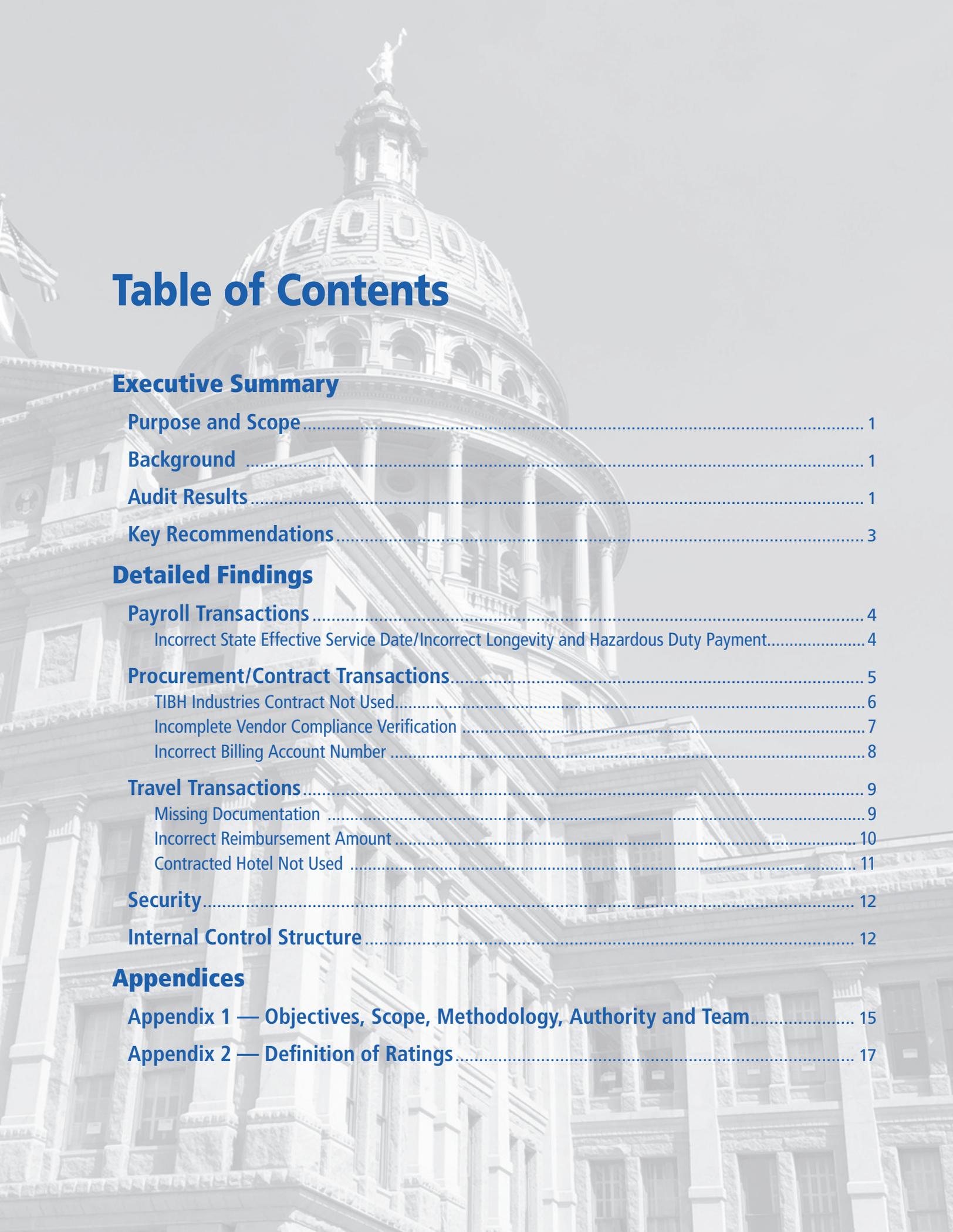


# An Audit of the Texas Alcoholic Beverage Commission

Audit Report # 458-18-01  
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Texas Comptroller of Public Accounts





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# Executive Summary

## Purpose and Scope

The objectives of the Texas Alcoholic Beverage Commission (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 was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2017, through Feb. 28, 2018.

## Background

The Texas Alcoholic Beverage Commission was formed in 1935 as the Texas Liquor Control Board following the end of Prohibition. The Commission is charged with enforcing provisions of the Texas Alcoholic Beverage Code, issuing permits, collecting taxes, and regulating the alcoholic beverage industry in the manufacture, distribution and sale of alcoholic beverages. The Commission adopted the Centralized Accounting and Personnel/Payroll System (CAPPS) financial module in late 2017. The Commission is undergoing a review by the Texas Sunset Commission, and a Sunset Commission staff report was released in October 2018.

**Texas Alcoholic Beverage  
Commission website**

<https://www.tabc.state.tx.us/>

## Audit Results

The Commission generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with out-of-state travel, fixed assets or system security. However, the Commission should consider making improvements to system internal control structure. The Commission should also consider improving payroll, in-state travel and purchasing process quality control.

The auditors reissued one finding from the last audit conducted at the Commission related to verification of employee prior state service, which led to miscalculated longevity pay and hazardous duty pay. Auditors originally issued these findings in August 2014. An overview of audit results is presented in the following table.

# Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	 Incorrect Effective State Service Date/ Longevity/Hazardous Duty Pay	Compliant, Findings Issued
<u>Procurement/ Contract Transactions</u>	Did the purchase/ procurement and contracts related payments comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• TIBH Industries contract not used.</li> <li>• Missing warrant hold and some contractor checks required before contract execution.</li> <li>• Incorrect billing account number.</li> </ul>	Compliant, Findings Issued
<u>Travel Transactions</u>	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Mileage in personal vehicle not adequately documented.</li> <li>• Travel expense reimbursement in excess of allowance.</li> <li>• Use of lodging not on state contract.</li> </ul>	Noncompliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant
<u>Internal Control Structure</u>	Were effective controls maintained over payments to prevent, detect, or correct errors or mitigate fraudulent transactions?	<ul style="list-style-type: none"> <li>• One employee could enter and approve payment in USAS without oversight.</li> <li>• Another employee could also create new employees, create new vendors, set up direct deposit, and approve and expedite paper vouchers.</li> </ul>	Compliant, Findings Issued
Security	Did all system access to process payments comply with the Comptroller security guidelines?	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 must continue to review each employee's job application for prior state service to ensure longevity pay increases and leave accruals occur at the correct times.
- The Commission must ensure that the set-aside contracts for goods/services offered by the State Use Program receive priority over open market purchases when appropriate, and that documentation is retained showing why the State Use Program contracts were not used.
- In contracts executed after Sept. 1, 2017, the Commission must check additional divestment lists to ensure the vendor does not have business ties to Iran, Sudan, a foreign terrorist organization or is participating in a boycott of Israel. The Commission must also document a warrant hold check to ensure any debt by the vendor to the state is paid.
- The Commission must ensure its credit card payments are processed in accordance with Comptroller accounting policies. To avoid any account delinquency or reconciliation issues, the Commission should review payment card statements to verify the payments were posted correctly.
- The Commission must review all travel transactions to ensure that all information and totals submitted for reimbursement are correct, verifiable, in compliance with state travel rules and within established rates.
- The Commission must follow State Travel Management Program rules and use state contract lodging and transportation unless a valid documented exception exists.
- To reduce risks to state funds, the Commission must establish controls over expenditure processing that separate each accounting task to the greatest extent possible.



# Detailed Findings

## Payroll Transactions

Auditors developed a representative sample of 88 payroll transactions totaling \$287,080.07 from a group of 30 employees to ensure that the Commission complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and other pertinent statutes. Additionally, a limited sample of 10 voluntary contribution pay deductions were audited for documentation of employee approval with no exceptions identified.

Auditors ran a report outside the payroll sample surveying all state payroll systems and identified 16 Commission employees with prior state service (including colleges and other state agencies) not already included in the Uniform Statewide Payroll/Personnel System (USPS). Of these, the Commission had notice of and should have verified four employees' prior state service, and updated their records accordingly.

## Incorrect State Effective Service Date/Incorrect Longevity and Hazardous Duty Payment

Auditors identified two out of 30 employees with incorrect state effective service dates or hazardous duty effective service dates in USPS. The employees listed prior state service on their job applications, but the Commission did not obtain verification of prior state service from the previous employers. This resulted in the miscalculation and underpayment of \$6,420 of longevity pay and \$1,133 of hazardous duty pay for the two employees.

Auditors identified a third employee for whom the Commission incorrectly identified prior state service as non-hazardous and established longevity pay instead of hazardous duty pay for the employee, resulting in \$4,500 overpayment of longevity and \$4,740 underpayment of hazardous duty pay for a total underpayment of \$240.

In a separate report run specifically to identify employee records in other state personnel systems, auditors confirmed an additional four Commission employees with unaccounted prior state service. As a result, three had incorrect total longevity payment amounts and one had an incorrect total hazardous pay amount in USPS. All four employees had indicated the prior state service on their Commission job applications, but the Commission did not seek verification. The errors resulted in a total underpayment of longevity pay of \$620 and an underpayment of hazardous duty pay of \$910.

When an agency hires an employee, the agency must research whether the employee has prior state service. If prior state service exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of incorrectly paying



longevity pay. Also, an employee may receive longevity pay for the month in which he or she has accrued 24 months of lifetime service credit only if the employee's anniversary falls on the first day of the month. Otherwise, the employee begins receiving longevity pay on the first of the following month. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

Prior state service documentation is necessary to verify employees' state effective service dates and the accuracy of longevity payments. The Commission's payroll policies and procedures include the verification of prior state service whenever an employee indicates prior state service on his or her job application or responds positively to a prior state service questionnaire administered at the time of hire. The Commission stated in these cases the additional service time was overlooked at time of hire. The Commission has verified the additional prior state service and compensated the employees for the underpayments of longevity pay and hazardous duty pay.

## Recommendation/Requirement

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The Commission must correct the state effective service dates for the employees. The Commission should consider recovering the overpayment in accordance with [Texas Government Code, Chapter 666](#). The Commission must continue to review each employee's job application for prior state service to confirm that it is properly recorded to ensure that longevity pay increases and leave accruals occur at the correct times.

## Commission Response

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*The agency agrees with this finding.*

*TABC revised the prior state employment form to include information regarding higher education. Human Resources has also implemented a New Employee Orientation program which includes an overview of the multiple new hire forms. The new hire packet includes the recently revised Prior State Employment form and other required forms. All new hire packets will be reviewed by HR staff for accuracy. In addition, the payroll department sends out certification requests of state service to each state entity identified on the Prior State Employment form.*

## Procurement/Contract Transactions

The Commission paid \$835.49 in prompt payment interest on all payments made during the audit period.

Auditors developed a representative sample of 16 contract transactions totaling \$38,432.16, as well as two vendor contracts for \$50,000 and \$99,452, 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.



Auditors reviewed samples of purchase card and travel card transactions for compliance with purchase card rules and for the correct use of the centrally billed travel account. No issues were found. Auditors found procedural errors with some purchase card transactions that can delay or prevent the state from obtaining rebates for card use.

Auditors also selected the lease on the Commission's main offices for review of authority to enter the lease of property, method to renew and increase payments, as well as expert witness agreements. There were no findings associated with any of them. Auditors identified the following isolated instances of noncompliance on the remaining contracts.

## TIBH Industries Contract Not Used

Auditors identified one contract where the Commission could not show use of the TIBH Industries catalogs to procure items that were on the state contracts. Auditors could not identify documentation to support using another vendor for this procurement in 2017. The Commission stated the documentation of prior TIBH consideration for this procurement had been lost.

Commodity items and services offered in the TIBH catalog are reviewed and approved by the Texas Council on Purchasing from People with Disabilities (TCPPD). If a product is approved, it is set aside from competitive bidding and placed on a term contract. Purchases of services approved by TCPPD do not require competitive bidding. See [State of Texas Procurement and Contract Management Guide](#) – Procurement Method – SPD Non-Delegated Purchases.

## Recommendation/Requirement

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The Commission must ensure that the set-aside contracts for goods/services offered by TIBH receive priority over open market purchases, and the proper reports are filed showing all delegated purchases made as exceptions to the set-aside contracts. Evidence of this action must be maintained in the contract file.

## Commission Response

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*The agency agrees with this finding.*

*All purchasing staff have been retrained on the correct process for including proper exception documentation to be included in purchasing files. Additionally, all purchase files are reviewed by the procurement manager to ensure compliance.*



## Incomplete Vendor Compliance Verification

Auditors identified one contract transaction for \$99,452 where the Commission was unable to provide a complete checklist of Vendor Compliance Verification (VCV) documents. The agency must provide a screen print showing that each verification was performed. The Commission stated that this issue occurred due to a misinterpretation of the statute and because documentation was not maintained in the contract file.

## Iran, Sudan, and Foreign Terrorist Organization List Check

Governmental entities may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Sections 2252.001\(2\) and 2252.152](#). Prior to award, the agency must check the divestment lists to determine if the potential awardee is in violation of this requirement, required by [Texas Government Code, Sections 2252.153 and 2270.0201](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) website. If the business is in violation, the contract may not be awarded to that vendor.

## Boycott Israel Check

Governmental entities may not contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not boycott Israel during the term of the contract. See [Texas Government Code, Chapter 808](#). Prior to award, the agency must check the divestment lists to determine if the potential awardee is in violation of this requirement, as required by [Texas Government Code, Section 808.051](#). The divestment list is posted to the Comptroller's [Divestment Statute Lists](#) website. If the potential awardee is on the list, the contract may not be awarded to that vendor.

## Warrant/Payment Hold Check

The agency must check warrant hold status of the vendor in the following circumstances: (1) transaction involves a written contract, (2) payment is made with local funds, or (3) payment card purchase is over \$500. The agency cannot proceed with a purchase made with local funds or a payment card purchase over \$500 until the warrant hold has been released. For transactions involving a written contract, the warrant hold check must be performed no earlier than seven days before and no later than the date of contract execution. If the vendor is on warrant hold, the agency may not enter into a written contract with the person unless the contract requires the agency's payments under the contract to be applied directly toward eliminating the person's debt or delinquency, and that requirement specifically applies to any debt or delinquency, regardless of when it arises. Although payments made through the Uniform Statewide Accounting System (USAS) are automatically checked for holds, and the system identifies payments issued



to persons with outstanding state debt, this does not relieve an agency from conducting the warrant hold status check, in accordance with [Texas Government Code, Section 2252.903](#). See [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

## Franchise Tax Check

Agencies must research the vendor's tax account status located on the Comptroller's [franchise tax](#) website. Not all vendors are required to pay franchise tax. The Comptroller is required by law to forfeit a company's right to transact business in Texas if the company has not filed a franchise tax report or paid a franchise tax required under the [Texas Tax Code, Section 171.251](#). If the corporate privileges are forfeited, the entity will not be able to sue or defend itself in a Texas court, and each director or officer will be liable for the debt of the entity. See [Texas Tax Code, Sections 171.252](#) and [171.255](#). The agency should seek assistance from counsel prior to awarding a contract to a vendor that does not have the right to transact business in Texas.

The Texas franchise tax is a privilege tax imposed on each taxable entity formed or organized in Texas or doing business in Texas.

## Recommendation/Requirement

The Commission must conduct each VCV search prior to any purchase, contract award, extension or renewal. The Commission must also check the Special Designated Nationals (SDN) list before awarding any contract to ensure no contracts are awarded to any person or vendor whose name appears on the list. Agencies must retain a dated copy of the review results from the specified website as evidence and include it in the procurement file.

## Commission Response

*The agency agrees with this finding.*

*All purchasing staff have been retrained on the correct process for including proper exception documentation to be included in purchasing files. Additionally, all purchase files are reviewed by the procurement manager to ensure compliance.*

## Incorrect Billing Account Number

Auditors ran a report to identify potential payments processed incorrectly to third-party vendors during the audit period and discovered 13 payments to the state's payment card vendor, totaling \$15,919.92, that were processed incorrectly. The Commission 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 \(FPP A.043\)](#) (login required) and [USAS and CAPPS Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the vendor might not be able to post payments to the Commission's payment and travel card accounts in a timely manner,



resulting in delayed or lost credit card rebates. The errors arose through data entry into the new CAPPs system, and were corrected by December 2017. The Commission subsequently updated its CAPPs data entry procedures to avoid the error.

## Recommendation/Requirement

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The Commission must enhance its procedures to ensure these types of payments are processed in accordance with FPP A.043 and FPP E.023. To avoid any account delinquency or reconciliation issues, auditors recommend the Commission review its payment card statements to ensure payments are posted correctly.

## Commission Response

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*The agency agrees with this finding.*

*Business Services Division (BSD) instituted a quarterly review of a random sample of card, Central Bill Account (CBA), and Corporate Liability Individual Billed Account (CLIBA) payments to ensure compliance with the Comptroller's Fiscal Policies and Procedures A.043 and E.023. The quarterly review procedure was established on Sept. 4, 2018.*

*TABC's BSD also updated procedures for processing card, CBA and CLIBA payments to ensure compliance with the Comptroller's Fiscal Policies and Procedures A.043 and E.023 by Sept. 4, 2018.*

## Travel Transactions

Auditors developed a representative sample of 50 travel transactions totaling \$13,952.79 to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes. Audit tests revealed issues involving insufficient documentation, accidental overpayments, travel voucher coding errors and non-use of state lodging contracts without a stated exception.

## Missing Documentation

Four travel vouchers in the sample included reimbursements for mileage in a personal vehicle without sufficient documentation to allow auditors to verify the distance traveled. The employees were Commission agents inspecting regulated businesses, covering multiple locations in a single day. The employees listed the names of the businesses they visited but did not provide the addresses or complete copies of online maps between all of the destinations. The Commission failed to identify the error when reviewing the travel voucher prior to payment. As a result, auditors could not verify the mileage claimed. The mileage reimbursements totaled \$812.72.



A state employee is entitled to reimbursement for mileage incurred conducting state business. The reimbursement may not exceed the number of miles of the most cost-effective, reasonably safe route between two duty points. In determining the most cost-effective reasonably safe route, a state agency may consider the route that provides the shortest distance, the quickest drive time or the safest road conditions.

To be reimbursed for miles traveled in a personal vehicle, an employee must submit a travel voucher with an itemized list of destinations and the miles traveled between them. The itemization must be sufficiently detailed to allow the Comptroller to verify the number of miles. Agencies must ensure that all travel reimbursements are examined prior to payment to ensure compliance with all applicable regulations and limitations. See [Texttravel – Transportation – Mileage in Personal Vehicle](#), and [Texttravel – General Responsibilities – Agency Responsibilities](#).

## Recommendation/Requirement

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The Commission must review all travel transactions relating to mileage reimbursement to ensure the mileage claimed is sufficiently documented and does not exceed the number of miles of the shortest or most cost-effective route between two points.

## Commission Response

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*The agency agrees with this finding.*

*The Business Services Division (BSD) has strengthened the internal audit review process of travel reimbursement submissions to ensure all documentation is included, in addition to returning the reimbursement request to the traveler for additional documentation as necessary.*

*BSD will continue to communicate travel policies through agency new hire training opportunities and has implemented a semi-annual travel guidelines email to the agency. BSD will also develop a comprehensive online travel training for all agency employees to be available no later than Sept. 1, 2019.*

## Incorrect Reimbursement Amount

One travel reimbursement in the sample exceeded the General Services Administration (GSA) lodging rate by five dollars per night, resulting in an excess expenditure of \$30 for the trip. Another traveler was reimbursed the wrong amount for non-overnight meals, resulting in an overpayment of \$8. The non-overnight meal was processed at the maximum amount allowed although the employee had requested the actual expense. Hotel bills supporting three other travel reimbursement vouchers did not show the traveler had actually paid before seeking reimbursement. Five travel vouchers had incorrect codes labeling common categories of expense, such as meals and lodging, city



tax, state tax and transportation. Miscoding leads to erroneous expenditure accounting. The Commission did not identify these overpayment, documentation and coding errors when reviewing the travel vouchers prior to reimbursing the travelers.

Agencies must examine that all travel reimbursements prior to payment to ensure compliance with all applicable regulations and limitations. See [Textravel – General Responsibilities – Agency Responsibilities](#). The employee may only be reimbursed actual lodging and meal expenses that do not exceed the maximum established rates. 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 [GAA, Article IX, Section 5.05\(a\)](#).

## Recommendation/Requirement

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The Commission should caution its employees to verify all information and totals submitted for reimbursement are in compliance with state travel rules and within established rates.

The Commission must obtain reimbursement of the overpayment from the travelers unless it determines it is not cost effective to do so.

## Commission Response

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*The agency agrees with this finding.*

*The Business Services Division (BSD) has strengthened the internal audit review process of travel reimbursement submissions to ensure all documentation is included and reimbursements are within established policy, in addition to centralizing lodging reservations to ensure compliance with General Services Administration (GSA) rates.*

*BSD will continue to communicate travel policies through agency new hire training opportunities and has implemented a semi-annual travel guidelines email to the agency. BSD will also develop a comprehensive online travel training for all agency employees to be available no later than Sept. 1, 2019.*

## Contracted Hotel Not Used

Auditors identified three instances where a Commission member was reimbursed for lodging expenses at a non-contracted hotel. For one stay, the commission member cited a lack of available alternatives, a listed exception from using a hotel on a state contract. According to the Commission, the Commission member neglected to add the exception on the other two stays.

The State Travel Management Program (STMP) at the Comptroller's office ensures that state agencies use taxpayer dollars more efficiently by providing discounted travel services through state contracts and monitoring state travel activity. STMP requires each state agency, its employees and appointed officials to use state contracts for lodging and travel arrangements unless a valid exception exists.



The Commission is updating its internal travel procedures and plans to ensure procedures are updated and staff are consistently documenting the exceptions for use of non-contracted hotels and rates allowed for Commission members. The Commission member in this case promptly repaid to the Commission the amount over the contract rate.

## Recommendation/Requirement

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The Commission must follow state travel management program rules and use state contract lodging and transportation unless a valid documented exception exists.

## Commission Response

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*The agency agrees with this finding.*

*The Business Services Division (BSD) has implemented a centralized lodging reservation process for the agency to ensure contract lodging is utilized and strengthened the internal audit review process of travel reimbursement submissions to ensure all proper exception documentation is included.*

*BSD will continue to communicate travel policies through agency new hire training opportunities and has implemented a semi-annual travel guidelines email to the agency. BSD will also develop a comprehensive online travel training for all agency employees to be available no later than Sept. 1, 2019.*

## Security

The audit included a security review to identify any of the Commission's employees with security access to the statewide accounting system 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

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the Commission placed on its accounting staff's ability to process expenditures. Auditors reviewed the Commission's security in the state's accounting system (USAS), payroll system (USPS), vendor identity system, the Texas Identification Number System (TINS) and payment voucher signature cards that were in effect on Aug. 6, 2018. Auditors did not review or test any internal or compensating controls that the Commission may have relating to USAS, USPS, or TINS security or internal transaction approvals.



The Commission has one employee who can process and release payments through USAS, and another who can also create an employee profile in USPS, create and edit a vendor in TINS and update direct deposit information. The second employee can also expedite production of a payment warrant and can sign for it at the Comptroller's office. The Commission was notified of these conditions during audit fieldwork.

The Commission explained that due to its limited accounting staff there was overlapping responsibility in the transaction approval process. Soon after the audit, the Commission narrowed the system privileges of its fiscal services manager to approve transactions but not enter them, and altered the agency's USAS profile to warn when the same user attempts to release his or her own entries or record changes without oversight.

Auditors ran a report to see whether any of the Commission's payment documents were processed through USAS during the audit by the actions of only one person. No issues were identified.

## Recommendation/Requirement

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To reduce risks to state funds, agency expenditure processing should separate each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend that the Commission implement the following measures:

1. Limit access at the time it is set up (USAS 96A screen) by limiting user access to either enter/change vouchers or release/approve batches, not both.
2. 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 \(FPP B.005\)](#).
3. Work with Comptroller's Statewide Fiscal Systems Security staff to set up user profiles that separate the entry and approval of payroll transactions in USAS and USPS.



4. Review the preventative 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.
5. Limit the access of users who can enter/change voucher or release/approve batches in USAS to view-only access in TINS (PTINS02). An individual must not be able to create or change a vendor profile, create a payment, and approve the payment.
6. 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.
7. 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.

## Commission Response

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*The agency agrees with this finding.*

*The agency completed a request with the Comptroller on Nov. 19, 2018 to implement the control to update the D02 screen in USAS to warn the user if the same user attempts to release a batch that contains his or her own entries or changes. Ticket RITM0221779 to change the identified USAS user's access to revoke entry or change and limit the access to release only was completed on Nov. 27, 2018 and verified by the user on Nov. 28, 2018.*

*The agency also initiated a security request (Ticket# RITM0246842) on March 22, 2019 with the Comptroller to implement the control to restrict the identified employee's access to view-only (PSTINS02) in TINS. Additionally, because we now have a backup Payroll Officer trained, we have requested the removal of the identified employee's USPS access on the same request ticket (RITM0246842).*

*The Fiscal Services Manager also reviews the DAFR 9840 that identifies any transactions that the same employee entered or altered and released.*



# 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 any of the following:
  - Uniform Statewide Accounting System (USAS),
  - 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

Auditors reviewed a sample of the Texas Alcoholic Beverage Commission (Commission) payroll, purchase and travel transactions that processed through USAS and USPS during the period from March 1, 2016, through Feb. 28, 2017, to determine compliance with applicable state laws.

The Commission receives appendices with the full report including 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.

*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.*



## 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, defalcation 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 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

*Alberto Lañas, MBA, CTCD, CTCM*

*Scott Coombes, CIA, CISA*

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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.	Noncompliant

### 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.	Noncompliant

### Repeat Finding Icon Definition



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