



An Audit of the Texas Department of Information Resources

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Executive Summary

Purpose and Scope

Objectives of the Texas Department of Information Resources (Department) 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 Department provides statewide leadership and oversight for management of government information and communications technology. The Department's executive director also serves as the chief information officer (CIO) for the Texas state government. The Department's mission is to provide technology leadership, solutions and value to Texas state government, education and local government entities to enable and facilitate the fulfillment of their core missions.

Texas Department of
Information Resources website


<https://dir.texas.gov/>

Audit Results

The Department generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with payroll, travel, non-overnight travel, board member travel, purchase, procurement/contracts, travel cards or payment cards. However, the Department should consider making improvements to the security and internal control processes.

The auditors reissued one finding from the last audit conducted at the Department related to internal control structure. Auditors originally issued these findings in March 2014. 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
Travel Transactions	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Non-Overnight and Board Member Travel	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Travel Card Transactions	Did travel card purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Purchase Transactions	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Procurement/ Contracts	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Payment Card Transactions	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Security</u>	Did all system access over payment comply with all the Comptroller security guidelines?	Three CTIA forms were signed late, after the employees accessed the system.	Control Weakness Issues Exist
<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?	 Two employees had overlapping security access.	Control Weakness Issues Exist



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



Key Recommendations

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

- The Department should ensure that no user gains access to the statewide financial systems without a timely completed Confidential Treatment of Information Acknowledgement (CTIA) form.
- To reduce risk to state funds, agencies must have controls over expenditure processing that separate each accounting task to the greatest extent possible.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample from a group of 20 employees involving 115 payroll transactions (totaling \$283,760.51) to ensure the Department 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 15 voluntary contributions transactions were audited with no exceptions identified.

Travel Transactions

Auditors developed a representative sample of 30 travel transactions (totaling \$4,690.79) to ensure the Department complied with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

An additional 62 travel card transactions from a special report outside of the sample were tested. Audit tests revealed no exceptions with this group of transactions.

Purchase Transactions

Auditors developed a representative sample of 20 purchase transactions (totaling \$142,397.20) to ensure the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

Additionally, two contracts were reviewed and tested outside the sample. The audit test revealed no exceptions with these transactions.

The Department paid \$783.31 in related prompt-payment interest during the audit period.

Payment Card Transactions

Auditors developed a representative sample of five payment card transactions to ensure the Department 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 Department's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

Audit tests revealed one security exception.

Late Signature on Confidential Treatment Information Acknowledgement Form

As a routine part of our security review, auditors evaluated the Department's compliance with the requirement that all agency users of Comptroller statewide financial systems must complete a CTIA form. Agencies are custodians of public and confidential information. When a new user needs access to Comptroller statewide financial systems, the agency's security coordinator must first have the user read and sign the most updated version of the CTIA form, which the agency's security coordinator keeps on file for as long as the user has access to the systems, plus five years. The audit tests revealed three employees who gained access to the systems before signing a CTIA form. The Department stated that the IT department maintained the records of the forms in previous years, and the original forms were not available. The Department obtained new forms for everyone who had used the system(s) prior to the audit.

The unauthorized disclosure of confidential information or the unauthorized withholding of public information could lead to fines and/or imprisonment, according to [Texas Government Code, Sections 552.352](#) and [552.353](#).

Recommendation/Requirement

The Department should enhance its procedures to ensure no user gains access to the statewide financial systems without a timely completed CTIA form.

Department Response

The CTIA form was added to DIR's Onboarding Checklist to ensure timely completion. In addition, the form is included in new hire packets that are provided via DocuSign on an employee's first day of work.



Internal Control Structure

Lack of Control over Expenditure Processing

The review of the Department'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 conducted revealed two exceptions in user access.

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the Department placed on its accounting staff's ability to process expenditures. Auditors reviewed the Department's security in the Uniform Statewide Accounting System (USAS), Texas Identification Number System (TINS), Standardized Payroll/Personnel Reporting System (SPRS) and voucher signature cards that were in effect on July 16, 2018. Auditors did not review or test any internal or compensating controls that the Department may have relating to USAS, SPRS or TINS security or internal transaction approvals.

The Department has one employee who could adjust vendor profiles in TINS and approve paper vouchers, and one employee who could pick up warrants from the Comptroller's office and approve paper vouchers without oversight. Auditors ran a report to determine whether any of the Department's payment documents 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 Department 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 risk to state funds, agencies must have controls over expenditure processing that separate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend that the Department implement the following:

- 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 create a vendor or change a vendor profile, create a payment, and approve the payment.
- 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.

Department Response

The agency submitted a request to the Comptroller to remove from the voucher signature card the user with authorization for warrant pickup and to remove the user with the ability to modify TINS.



Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the Department's internal system. All assets tested were in their intended location, 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 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 Department of Information Resources (Department) payroll, purchase and travel transactions that processed through USAS and SPRS during the period from March 1, 2017, through Feb. 28, 2018, to determine compliance with applicable state laws.

The Department 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.

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 audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.



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

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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.