



An Audit of the **Commission on State Emergency Communications**

**Audit Report # 477-18-01
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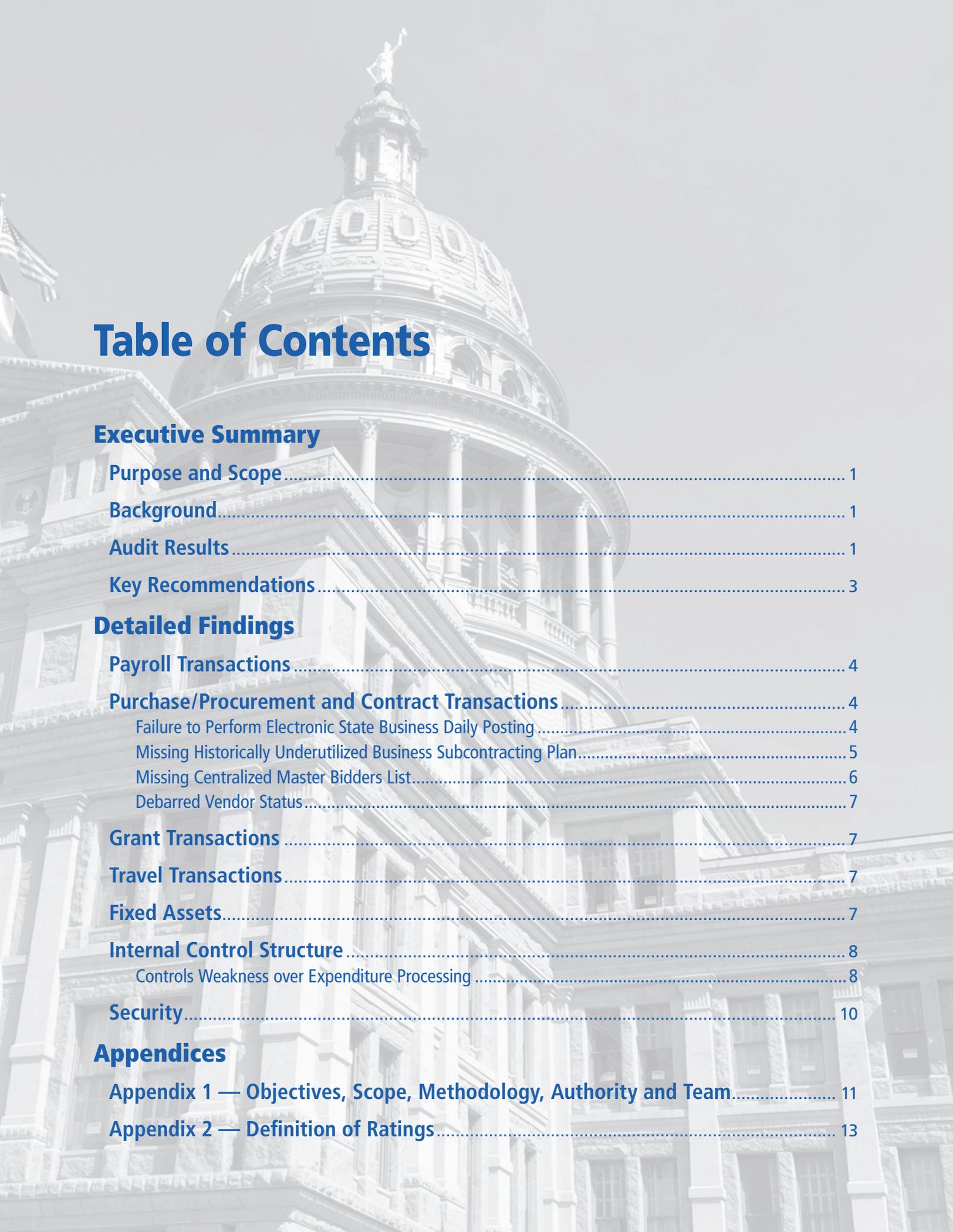


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Executive Summary

Purpose and Scope

The objectives of the Commission on State Emergency Communications (Commission) audit were to determine whether:

- Contracts were procured according to applicable state laws and Comptroller requirements.
- 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. 29, 2018.

Background

The Commission on State Emergency Communications is the state's authority on emergency communications. The Commission is charged with administering the state's 9-1-1 service program and the statewide Poison Control Program. The Commission consists of 12 members representing various public and private sector interests.

Commission on State
Emergency Communications
website

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

Audit Results

The Commission generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll, grants, travel, property management records or systems security. However, the Commission should consider improving controls over purchase/procurement rules and segregation of duties processes.

Auditors reissued two findings from the last audit conducted at the Commission related to missing Electronic State Business Daily (ESBD) postings and control weakness over expenditure processing. Auditors originally issued these findings in August 2015. 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, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase/ Procurement and Contract Transactions</u>	Did purchase/procurement and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	 Failure to perform ESD posting. <ul style="list-style-type: none"> • Missing historically underutilized business (HUB) subcontracting plan. • Missing Centralized Master Bidders List (CMBL). • Missing Debarred Vendor List check. 	Compliant, Findings Issued
Grant Transactions	Did the payments comply with state laws and regulations pertaining to grants/loans and other pertinent statutes?	No issues	Fully Compliant
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller's requirements?	No issues	Fully Compliant
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 incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 One employee had multiple incompatible duties.	Compliant, Findings Issued
Security	Were the Commission employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	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 enhance its procurement procedures to ensure the correct procurement requirements are followed.
- The Commission must conduct a debarred vendor status check before executing a contract with a vendor.
- The Commission must have or implement additional controls over expenditure processing that separate each accounting task to the greatest extent possible.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample totaling \$143,015.65 from 30 payroll transactions to ensure the Commission complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions. Additionally, a limited sample of seven voluntary contribution transactions was audited with no exceptions identified.

Purchase/Procurement and Contract Transactions

Auditors developed a representative sample of 15 purchase/procurement transactions totaling \$1,064,184.88, as well as two vendor contracts (with a total of eight transactions) for \$2,854,183.90 and \$4,831,237.10 to ensure 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 the following exceptions in the procurement process.

Failure To Perform Electronic State Business Daily Posting

The Commission did not meet the solicitation advertisement requirements for one of 15 purchase transactions. The transaction file did not contain proof of the posting on the Electronic State Business Daily (ESBD). The Commission stated that it did not post the required notice to the ESBD due to a misinterpretation of the requirements.

The State Procurement Division (SPD) requires agencies to post notices on the ESBD for all solicitations expected to exceed \$25,000. Agencies are required to advertise a complete solicitation package for a minimum of 14 days, or 21 days for procurement when the package is lengthy or complex. See the [State of Texas Procurement and Contract Management Guide](#) – Solicitation – Advertisement section.

In accordance with [Texas Government Code, Section 2155.083](#) and [34 Texas Administrative Code Section 20.233](#), the requirement to post on the ESBD applies to all purchases over \$25,000, regardless of source of funds used for procurement. This requirement includes delegated purchases, emergencies, construction projects, professional or consulting services, proprietary purchases and purchases exempt from SPD's purchasing authority.



Recommendation/Requirement

The Commission must strengthen its controls to ensure any contract over \$25,000 is posted for the proper duration. Failure to post a qualifying purchase for the mandatory period could void the entire contract.

Commission Response

With the new Subject Matter Experts in place actions were taken to revise the agency's procurement checklist process to ensure that all solicitations are posted in the proper location with a minimum of 14 days posting. In addition, part of the actions taken is that any solicitation that is over \$25,000 requires an Acquisition Plan. This Acquisition Plan details out the actions of the procurement to include a proper internal procurement schedule to mitigate any failures on compliance.

Missing Historically Underutilized Business Subcontracting Plan

Agencies considering a purchase with an expected value over \$100,000 must determine whether subcontracting opportunities are probable. See [State of Texas Procurement and Contract Management Guide](#) – Appendix 30. If such opportunities are available, the agency's solicitation documents must note that and require a historically underutilized business (HUB) subcontracting plan (HSP).

In one purchase, the Commission did not provide the required HSP. The Commission indicated that was an oversight. [34 Texas Administrative Code Section 20.285\(e\)](#) requires the HSP to be evaluated before contract award and, if accepted, to become a provision of the agency's purchase. Review of the HSP ensures each vendor has made a good-faith effort to contribute to state HUB contracting goals. Without the review, auditors could not be sure good faith was established when the purchase was awarded.

Recommendation/Requirement

The Commission must abide by the procurement procedures in the [State of Texas Procurement and Contract Management Guide](#) section on HSP requirements to determine whether subcontracting opportunities are probable under the purchase; if so, that must be clearly stated and the Commission must require an HSP. The Commission must enhance its procurement process to ensure adequate documentation is maintained to meet all procurement requirements.

Commission Response

With the HUB coordinator in place a process has been implemented to ensure compliance with the State of Texas Procurement and Contract Management Guide regarding the HSP. A revised policy has been developed and implemented to ensure



that any procurement actions over \$25,000 are researched, and best efforts are given to HUB opportunities based on firm capabilities and past performance. Part of the revised procurement checklist process includes documentation needed to be included in all solicitations to include HSPs as well as internal tracking mechanisms as part of the agency CAPPs Finance System implementation that will be operational Sept. 1, 2019.

Missing Centralized Master Bidders List

Auditors found one out of 15 purchase transactions where the Commission did not provide a dated Centralized Master Bidders List (CMBL) solicitation printout. Without the dated CMBL search, auditors could not determine whether all CMBL vendors were solicited for the procurement processes. The Commission stated it did not retain the documentation due to a misinterpretation of the requirements. The Commission must obtain proof that it checked the CMBL system before any award or contract renewal. See [Texas Government Code, Sections 2155.263](#) and [2155.264](#), and [34 Texas Administrative Code Section 20.107\(g\)](#). The Commission must also print the awarded vendor's CMBL profile showing the expiration date for file documentation. See [State of Texas Procurement and Contract Management Guide](#) – Centralized Master Bidders List section.

Centralized Master Bidders List (CMBL)

The CMBL is a database of registered vendors that includes contact information and a list of the goods and services each offers. Vendors pay a nominal annual fee to receive notification of opportunities for solicited commodities and/or services through an invitation for bid, request for proposal, request for offer or request for qualifications. Unless exempted by law, the CMBL must be used for all procurements subject to the authority of the Statewide Procurement Division and to gather information for noncompetitive procurement processes and vendor performance data.

Recommendation/Requirement

To ensure adherence to state procurement laws and rules, all agencies and institutions of higher education must use the CMBL for all purchases, including services for which competitive bidding or competitive sealed proposals are required. The Commission must ensure that a copy of the dated CMBL search results is included in the purchase file.

Commission Response

To ensure adherence to state procurement laws and rules, the CSEC Procurement/Contracts Department has implemented Acquisition Planning as part of the solicitation process. The Acquisition Planning process initial market research entails identifying potential vendors that have capabilities and past performance to meet solicited requirements. The research tools include baselining CMBL vendors to capture this information. A list of capable vendors will be downloaded and made part of the procurement files for record as well as incorporated in the final Acquisition Plan that is routed through the management approval chain. The CMBL, as part of the competitive bidding or competitive sealed proposal process, is one of the baselines in determining procurement methodology.



Debarred Vendor Status

Auditors identified one out of 15 purchase transactions where the Commission did not check the Debarred Vendor List on the Comptroller's website to establish that the vendor had not been debarred by SPD. An agency may not award a contract to a debarred vendor. See [State of Texas Procurement and Contract Management Guide – Vendor Compliance Verifications](#).

Recommendation/Requirement

The Commission must conduct a debarred vendor status check before awarding a contract. A dated copy of the results must be retained as evidence and included in the procurement file.

Commission Response

With the new Subject Matter Experts in place, actions were taken to revise the procurement checklist process to ensure that all solicitations when entering the awarding the contract stages include completing vendor references; Debarred Vendor Status; and System for Award Management (SAM); and that vendor hold search documents (via Texas Comptroller website) are properly uploaded in the procurement file. With the CAPPs Financial Systems coming on-line Sept. 1, 2019, all required vendor research documentation will be uploaded before issue of award.

Grant Transactions

Auditors developed a representative sample of seven grant transactions for \$12,602,062.64 to ensure the Commission complied with the state laws and regulations pertaining to grants/loans. Audit tests revealed no exceptions in these transactions.

Travel Transactions

Auditors developed a representative sample of 20 travel transactions totaling \$5,918.16 to ensure the Commission complied with the GAA, [Texttravel \(FPP G.005\)](#), pertinent statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

Fixed Assets

Auditors developed a representative sample of 10 transactions to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System. Audit tests revealed no exceptions in these transactions.



Internal Control Structure

Auditors reviewed the Commission's employee access to Comptroller systems to determine if any individuals had multiple security abilities that would allow them to process payments without oversight by another person. Audit tests revealed the following exceptions.

Control Weakness over Expenditure Processing

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 Uniform Statewide Accounting System (USAS), the Uniform Statewide Payroll/Personnel System (USPS), the Texas Identification Number System (TINS) and voucher signature cards in effect on July 19, 2018. Auditors asked if there were mitigating/compensating controls that the Commission may have relating to USAS, USPS or TINS security or internal transaction approvals to reduce risks associated with segregation of duties, but the Commission did not have any.

The Commission had one employee who could:

- Process and release payments through USAS.
- Process and release payroll in USPS and USAS.
- Create/adjust vendor/employee profiles and payment instructions in TINS/USPS and process/approve electronic and paper (expedite) payment vouchers and payrolls in USAS or USPS.
- Approve paper vouchers (expedites) and pick up warrants because the employee was on the signature card as well as the Agency Authorization for Warrant Pickup.

The Commission explained that accounting staff limitations led to overlapping responsibility in its transaction approval process.

Auditors ran reports to see whether any payments during the audit period were processed because of the action of only one person; no issues were identified.

Recommendation/Requirement

To reduce risk to state funds, agencies should 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 the Commission:

1. Set the document tracking control edit on the Agency Profile (D02) to either:



- Prevent a user from releasing a batch that the same user entered or altered.

-OR-

- Warn the user when the same user attempts to release his or her own entries or changes. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

Additionally, the Commission should review the preventive and detective controls over expenditure processing discussed in FPP B.005, such as the Risky Document Report (DAFR9840) that identifies documents that the same user entered or altered and then released for processing.

2. Work with the Comptroller's Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS/USAS.
3. 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.
4. Limit the access of users who can approve paper vouchers (by 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.
5. Limit the access of users who can process and release/approve payroll in USPS to view-only access in TINS (PTINS02). An individual must not be able to change an employee payment instruction and process and release payroll.
6. Work with the Comptroller's Statewide Fiscal Systems security staff to set up user profiles that separate the ability to hire an employee in USPS and to process and release payroll transactions in USPS.
7. 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.

Commission Response

This is and will continue to be an issue. Due to the small number of qualified staff, the agency must keep the ability to have the same person enter and release an entry in the event of critical payment circumstances. The agency has separation of duties; as such, this finding is completed to the best degree possible. Below are responses to each auditor recommendation:

1. *The agency has the USAS controls to warn the user that they are releasing their own entries or changes. DAFR 9840 will be reviewed. If any document is noted on the report, a rationale will be documented with management approval.*



2. *One user (Human Resources Officer [HRO]) is set up with human resources and payroll entry access only and is the primary entry personnel. Two users have master profiles, to ensure in the absence of the primary personnel, payroll may be entered by one user and released by another.*
3. *One user (manager) is set up with USAS and TINS entry and approval access. One other user (staff) has TINS entry access and only USAS entry access. There is a separation of duties. One will enter a vendor in TINS; the staff will enter payments into USAS. The manager will approve payment.*
4. *Only one user (manager) has this access. To mitigate this risk, staff enter vouchers into the system.*
5. *Only one user (manager) has this access. The manager will only change employee payments instruction, in the absence of the payroll primary personnel and with Director approval.*
6. *Only one user (manager) has this access. However, this responsibility falls with the HRO. The manager has access in the absence of the HRO.*
7. *Access is limited for Warrant Pickup list.*

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 security can be revoked in a timely manner. All four employees on the Commission's signature cards were reviewed and audit tests revealed no security weaknesses.



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),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Report System (SPRS) or
 - 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 Commission on State Emergency Communications (Commission) payroll, purchase and travel transactions that processed through USAS and USPS from March 1, 2017, through Feb. 29, 2018, 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.

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 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 on 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
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none"> Lack of appropriate and sufficient evidentiary matter. Restrictions on information provided to auditor. Destruction of records. 	Scope Limitation

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.