



# An Audit of the **Office of the Attorney General**

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# Executive Summary

## Purpose and Scope

The objectives of the Office of the Attorney General (Office) 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 Sept. 1, 2016, through Aug. 31, 2017.

## Background

The mission of the Office of the Attorney General is to enforce child support orders, protect Texans against consumer fraud, enforce open government laws, provide legal advice to state officials, and represent the state of Texas in court, among other things.


Office of the Attorney General website  
<https://www.texasattorneygeneral.gov/>

## Audit Results

The Office generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with grants, refund of revenues, payment card, travel, system security or property management records. However, the Office should consider making improvements to its payroll, contracting and internal control processes.

Auditors reissued two findings from the last audit conducted at the Office related to payroll overpayment and control weakness over expenditure processing. 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, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>Incorrect/missing state effective service dates resulting in incorrect hazardous duty and longevity payments.</li> </ul>  Incorrect pay amounts.	Compliant, Findings Issued
<u>Contract Transactions</u>	Did the purchase/ procurement and contract-related payments comply with the GAA, pertinent statutes and Comptroller requirements?	Missing procurement and contract documentation	Compliant, Findings Issued
Grant Transactions	Did grant payments comply with state laws and regulations pertaining to grants and other pertinent statutes?	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
Payment Card Transactions	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Security	Are Office employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	Fully Compliant



Repeat Finding





Area	Audit Question	Results	Rating
<u>Internal Control Structure</u>	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Four employees with overlapping security access for multiple duties	Compliant, Findings Issued
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 Office must enhance its internal controls to prevent incorrect payroll payments.
- The Office must ensure that it keeps all documents relating to procurement and contracts on file.
- The Office should continue to review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure no individual is able to process payments without oversight.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample from a group of 40 employees and 191 payroll transactions totaling \$512,882.95 to ensure the Office complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, a limited sample of 35 voluntary contribution transactions was audited with no exceptions identified. Audit tests revealed the following exceptions in this group of transactions.

### Incorrect/Missing State Effective Service Dates Resulting in Incorrect Hazardous Duty and Longevity Payments

Auditors identified five employees with incorrect state effective service dates/hazardous duty effective service dates due to errors entering the dates of service in the Uniform Statewide Payroll/Personnel System (USPS). One employee was underpaid \$900 in hazardous duty pay and overpaid \$1,040 in longevity, a second employee was overpaid \$1,510 in hazardous duty pay, a third employee was overpaid \$960 in hazardous duty pay and underpaid \$1,120 in longevity, a fourth employee was overpaid \$140 in longevity, and a fifth employee was overpaid \$5,120 by receiving both hazardous duty and longevity pay for the same dates of service.

In a report generated outside of the sample, auditors identified 25 additional employees with missing Prior State Service Verification forms, resulting in underpayments of longevity pay totaling \$29,380. All 25 employees had disclosed their previous employment to the Office.

The Office's procedures include verifying prior state service when an employee indicates prior service in the Previous State Employment Disclosure form during orientation. The missing prior state service verifications were due to incorrect dates entered in the system and non-verification of hazardous duty pay eligibility.

During the audit, auditors asked the Office to conduct the prior state service verification, provide auditors with the required documentation to validate the hazardous duty and longevity pay amounts, update USPS for the employees, and compensate the employees for the underpayments.

When an agency hires an employee, the agency must research whether the employee has prior state service and whether the employee has been in a hazardous duty position. If prior state service or hazardous duty employment exists, the agency must confirm the amount of lifetime service credit and hazardous duty service credit, and properly record it or risk incorrect longevity or hazardous duty pay. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#) and [Texas Payroll/Personnel Resource – Agency-Specific Provisions – Hazardous Duty Pay](#).



## Recommendation/Requirement

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The Office must ensure all prior state service is verified and documented, and that its internal operating procedures include quality control measures that will identify all prior state service listed by an employee. The Office must promptly correct the underpayments through a supplemental payroll. See [34 Texas Administrative Code Section 5.40\(c\)](#). The Office should also consider recovering the overpayments in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost effective to do so.

## Office Response

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*The Office of the Attorney General (OAG) has reviewed its internal processes to ensure that all prior state service time is verified and documented. Quality control measures have been put in place to ensure that all prior state service is identified, verified, and documented. For example, in approximately June 2018, the OAG updated the form used to request prior service information from other agencies. The form now requests that other agencies indicate whether or not the employee was in a position that qualified for hazardous duty service credit. In addition, the OAG has recently worked with the CAPPS help desk staff on additional steps required by CAPPS when the OAG hires a person who has prior service that qualifies for hazardous duty service credit.*

*The OAG will process supplemental payments to employees who may still be owed hazard duty pay or longevity pay. In addition, the OAG will attempt to collect any overpayment of hazard duty pay and longevity pay by August 31, 2020.*

## Incorrect Pay Amounts

Auditors identified two employees from the sample and one employee in a report generated outside of the sample who were paid incorrect amounts.

For the first employee, the Office did not initiate collection activities for an overpayment of \$5,330.01 after a processing error was identified by the Comptroller and reported to the Office. The employee retired without repaying the overpayment amount. However, as a result of the audit, the Office contacted the former employee and recovered the overpayment.

When the second employee terminated, the final paycheck included eight extra hours, resulting in an overpayment of \$371.14. Additionally, miscalculation of a lump-sum termination payment for accrued vacation time for the same employee resulted in an overpayment of \$214.08. Auditors identified the error and the Office issued a collection notice to the former employee requesting repayment.

Auditors identified the third employee in a report generated outside of the sample. The Office overpaid this employee \$417.56. The Office submitted a letter of authorization (LOA) in July 2017 for data changes to retroactively pay the employee for



a salary adjustment that was not processed at the time of award effective Sept. 1, 2016. The changes were processed and a supplemental payment was issued. However, the retroactive pay incorrectly included July 2017, when the employee's salary had already been adjusted, resulting in the overpayment. The Office said that it sent a collection notice to the employee, but has not recovered the payment, and the employee has since retired.

## Recommendation/Requirement

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Auditors recommend the Office enhance its internal controls to prevent incorrect payments. Additionally, the Office should consider recovering the overpayment amounts in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost effective to do so.

## Office Response

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*The OAG has reviewed its internal procedures concerning employee salary actions.*

*Several internal procedures have been changed to ensure that incorrect payments are prevented:*

- *In April 2018, the Human Resources Division began more extensive tracking of separations to ensure that employees who leave the agency are not overpaid. This tracking includes working with employees and management to adjust late-month separations dates with the use of non-sick leave when possible to avoid an overpayment after payroll has run for that month.*
- *In July 2019, the agency created an electronic personnel action form system to process salary actions. The system features internal controls that help to prevent errors in the amount of an employee's salary.*
- *Effective March 2020, the Human Resources Division will review for accuracy the salary data entered into CAPPs.*

*The OAG will process supplemental payments to any employee who may be owed money due to an incorrect payment. In addition, the OAG will attempt to collect any overpayment that is the result of an incorrect payment by August 31, 2020.*

## Contract Transactions

Auditors developed a sample of 46 contract transactions from four contracts to ensure the Office complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed exceptions for this group of transactions.





Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$3,377,763	Information Technology Services	No exceptions	No exceptions	Missing non-disclosure & conflict of interest certifications	Missing State Auditor's Office (SAO) Nepotism Disclosure form	No exceptions
Contract B	\$14,000,000	Contracted Services	No exceptions	No exceptions	No exemptions	No exceptions	No exceptions
Contract C	\$1,897,495	Contracted Services	No exceptions	No exceptions	No exemptions	No exceptions	No exceptions
Contract D	\$6,008,625	Information Technology Services	No exceptions	No exceptions	Missing bid receipt documentation	Missing State Auditor's Office (SAO) Nepotism Disclosure form	No exceptions

## Missing Procurement and Contract Documentation

Two out of the four contracts selected for review were missing required documentation as noted below.

### Missing Non-Disclosure and Conflict of Interest Certifications

Auditors identified one contract where the Office did not provide non-disclosure and conflict of interest certifications signed by procurement and contract management personnel. The Office was unable to locate documentation, and due to staffing turnover was unable to consult with staff who worked on the procurement.

[Texas Government Code, Section 2261.252\(a\)](#) states that each state agency employee or official who is involved in procurement or contract management must disclose any potential conflict of interest specified by state law or agency policy.

[Texas Government Code, Section 2261.252\(a-1\)](#) states that each agency employee or official must disclose any potential conflict of interest that is known by the employee or official at any time during the procurement process or the term of a contract.

It is best practice to sign the non-disclosure and conflict of interest certification on a regular basis. The frequency (e.g., every fiscal year, calendar year, employment date anniversary) may vary according to each agency's policy. See [State of Texas Procurement and Contract Management Guide](#) – Appendix 3 – Required Disclosure Statements.



## Recommendation/Requirement

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The Office must ensure all personnel participating in procurement and contract management activities complete the non-disclosure and conflict of interest certifications.

## Office Response

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*The OAG Procurement and Contract Operations Division has taken action to ensure that applicable procurement and contract certifications are on file within the agency.*

*During a project's kick-off meeting each person in attendance who is involved in the procurement process must sign an agency procurement integrity statement. This procurement integrity statement includes non-disclosure and conflict of interest certifications. In addition, this procurement integrity statement sign-off process is repeated again for participants who are involved in the evaluation process.*

## Missing Bid Receipt Documentation

One contract file for information technology services did not contain evidence of timely and complete receipt of proposals during the bid process. Responses must be received on or before the due date and time designated in the solicitation. To ensure fairness to all respondents, no submitted responses should be opened or reviewed before the due date and time has passed. See [State of Texas Procurement and Contract Management Guide](#) – Solicitation – Receipt and Control of Responses. Without evidence of when proposals were received, auditors could not determine if the proposals were opened in a fair and timely manner. According to the Office, these documents were missing from the electronic file.

## Recommendation/Requirement

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The Office's procurement section must conduct a review immediately after the proposal deadline. The review should include a check for records of proposal receipts indicating time and date as well as other requirements.

## Office Response

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*The OAG Procurement and Contract Operations Division during the solicitation process encourages vendors to submit their proposals electronically.*

*Submission of proposals by vendors electronically is a processing control that will help ensure the existence of a digital receipt of the time and date that a proposal was received by the Procurement and Contract Operations Division.*

*Currently, a digital receipt is accomplished through the use of agency electronic mail. The OAG is researching tools that are commercially available that would add additional audit and compliance checks to assist in the process. Evaluation of these products is currently in progress to assess their effectiveness, cost, and to ensure that there will be added value.*



## Missing State Auditor's Office (SAO) Nepotism Disclosure Form

Auditors identified two contracts valued at \$1 million or more where the Office failed to complete and sign the SAO Nepotism Disclosure form before contract award. The procurement file for the first contract did contain a memo of the oversight and forms from 38 employees completed and signed after the procurement was awarded. The Office obtained completed and signed forms from seven of 16 employees after the procurement was awarded for the second contract.

[Texas Government Code, Section 2262.004](#) requires state agency purchasers to disclose relationships that might pose a conflict of interest in awarding a major contract. See [State of Texas Procurement and Contract Management Guide](#) – Agency Review of Required Disclosures.

## Recommendation/Requirement

The Office must follow procurement procedures to ensure the SAO Nepotism Disclosure form is complete and signed by the purchasing staff before executing a contract with a vendor. The Office should maintain the SAO Nepotism Disclosure form as part of the contract file.

## Office Response

*For procurements with an expected value of \$1 million or more, the SAO Nepotism Disclosure Statement for Purchasing Personnel must be utilized, including each person involved in the selection process. This form has been converted into a DocuSign document, eliminating the need to route manually. This DocuSign document is then uploaded into the final procurement file prior to execution of the contract.*

## Grant Transactions

Auditors developed a sample of eight grant transactions for \$720,362.22 to ensure the Office complied with state laws and regulations pertaining to grants/loans and pertinent statutes. Audit tests revealed no exceptions in these transactions.

## Refund of Revenue Transactions

Auditors developed a sample of 10 refund transactions totaling \$6,840,900.46 to ensure the transactions were supported by appropriate documentation and complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.





## Payment Card Transactions

Auditors developed a sample of 10 purchase transactions totaling \$122,758.38 to ensure the Office complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

## Travel Transactions

Auditors developed a sample of 40 travel transactions totaling \$14,374.28 to ensure the Office complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Security

The audit included a security review to identify Office employees with security in the Uniform Statewide Accounting System (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 met so that security can be revoked in a timely manner. Audit tests revealed no exceptions in these transactions.

## Internal Control Structure

The review of the Office'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 the following exception in user access.

## Control Weakness Over Expenditure Processing

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the Office placed on its accounting staff's ability to process expenditures. Auditors reviewed the Office's security in USAS, USPS, the Texas Identification Number System (TINS) and the voucher signature cards in effect on January 26, 2018. Auditors did not review or test any internal or compensating controls that the Office might have related to USAS, USPS or TINS security or internal transaction approvals.

The Office had four employees with incompatible security access capabilities. Three employees could adjust vendor payment instructions in TINS and approve paper and electronic payment vouchers in USAS, and two employees could process and release payroll in USAS without oversight.

Auditors also ran a report to determine whether any of the Office's payment documents processed through USAS during the audit period because of the action of only one person. No issues were identified.



## Recommendation/Requirement

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The Office should review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure that no individual is able to process payments without oversight.

Auditors strongly recommend the Office implement the following recommendations:

- Limit the access of users who can process or approve electronic or paper vouchers to view-only access in TINS (PTINS02).
- Limit the access of users who can process and release payroll in USAS and USPS to view-only access in TINS (PTINS02).
- Ensure that employees who can process an expedited payment (by being on the signature card) do not have the ability to change the warrant hold status of a vendor in TINS.
- Work with Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS. In addition, the Office should ensure that user profiles are set up with separate entry and approval of payroll transactions in the Standardized Payroll/Personnel Reporting System (SPRS).

As a result of the audit, the Office made the recommended changes to the employees' security access.

## Office Response

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*The Office of the Attorney General (OAG) has a strong system of internal controls and compensating controls to detect or prevent any inappropriate use of funds. Security provisioning was limited to the appropriate staff needed due to limitations of legacy processes and systems. Due to the implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS) the OAG conducted an internal review of security roles and job duties. It was determined job duties could be shifted so that TINS users who release payment vouchers and/or payroll would require view-only access in TINS. In addition, the aforementioned security review also determined that user profiles for data entry in CAPPS should not have the security to also approve payroll transactions in Standardized Payroll/Personnel Reporting System (SPRS). These changes were made effective July 2019 at the time of the OAG implementation of CAPPS.*

## Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period 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 system. Audit tests revealed no exceptions in these transactions.



# 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 Reporting System (SPRS),
  - Human Resource Information System (HRIS) or
  - The Centralized Accounting and Payroll/Personnel System (CAPPs).
- 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 Office of the Attorney General (Office) payroll, purchase, procurement and travel transactions that processed through USAS and USPS from Sept. 1, 2016, through Aug. 31, 2017, to determine compliance with applicable state laws.

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





## Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

## 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

*Melissa Hernandez, CTCD, CTCM, Lead Auditor*

*Amanda Price, CTCD, CFE*

*Max Viescas, CPA*

*Shanda Hernandez, CTCD*

*Steve Tamez*



## 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"><li>• Lack of appropriate and sufficient evidentiary matter.</li><li>• Restrictions on information provided to auditor.</li><li>• Destruction of records.</li></ul>	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.