



# An Audit of the Texas State Preservation Board

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# Executive Summary

## Purpose and Scope

The objectives of the Texas State Preservation Board (Board) 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, 2017, through Aug. 31, 2018.

## Background

The Board preserves and maintains the Texas Capitol, the Capitol Extension, the General Land Office Building, other designated buildings, their contents and their grounds. The Board also preserves and maintains the Texas Governor's Mansion and operates the Bullock Texas State History Museum and the Texas State Cemetery. The Board provides educational programs centered on Texas history, government and culture. These services benefit the citizens of Texas and its visitors.


Texas State Preservation Board website  
<https://tspb.texas.gov>

## Audit Results

The Board generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll, purchase transactions or system security. However, the Board should improve its contracting, travel and fixed asset processes and controls over expenditure processing.

Auditors reissued one finding from the last audit conducted at the Board related to control weakness over expenditure processing. Auditors originally issued this finding in November 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, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Purchase/ Procurement	Did purchase transactions comply with pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Contracts and Payment Transactions</u>	Did the purchase/ procurement and contract- related payments comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Missing debarment check.</li> <li>• Missing Vendor Performance Tracking System (VTPS) check.</li> <li>• Interest not paid.</li> </ul>	Compliant, Findings Issued
<u>Travel Transactions</u>	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Early check-in fee not payable	Compliant, Findings Issued
<u>Fixed Assets</u>	Were tested assets in their intended locations and properly reported in the State Property Accounting system?	<ul style="list-style-type: none"> <li>• Missing asset tag.</li> <li>• Failure to report asset in a timely manner.</li> </ul>	Compliant, Findings Issued
Security	Are Board employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	Fully Compliant
<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?	 Three employees with overlapping security access for multiple duties.	Compliant, Findings Issued



Repeat Finding





## Key Recommendations

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

- The Board must ensure it maintains dated printouts of all required vendor compliance verification documents.
- The Board must both submit payment information for processing and release payments in a timely manner to avoid incurring interest liabilities.
- The Board must confirm that all travel expense claims are accurately reviewed for legality and accuracy before payment.
- The Board must ensure assets are properly recorded and tagged at the time of acquisition.
- The Board must implement additional controls over expenditure processing that segregate each accounting task to the greatest extent possible.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample from a group of 30 employees and 152 payroll transactions totaling \$394,557.78 to ensure the Board complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, a limited sample of 13 voluntary contribution transactions was audited. Audit tests revealed no exceptions in these transactions.

## Purchase/Procurement Transactions

Auditors developed a sample of 36 purchase transactions totaling \$2,645,754.51 to ensure the Board complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

## Contract Transactions

Auditors reviewed three contracts totaling \$5,933,909.82 and developed a sample of 22 contract payments totaling \$810,593.43 to ensure the Board complied with the GAA, [eXpendit \(FPP I.005\)](#), [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	\$3,062,565.82	Cleaning Services	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"><li>Missing debarment check.</li><li>Missing Vendor Performance Tracking System (VPTS) check.</li></ul>	Interest not paid
Contract B	\$2,560,672.00	Rental of Reference Material	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"><li>Missing debarment check.</li><li>Missing VPTS vendor check.</li></ul>	No exceptions
Contract C	\$310,672.00	Rental of Reference Material	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"><li>Missing debarment check.</li><li>Missing VPTS vendor check.</li></ul>	No exceptions



## Missing Procurement and Contract Documentation

Three of the contracts selected for review were missing required documentation as noted below.

### Missing Vendor Compliance Verification

Auditors identified three contracts missing verification of whether the vendors had been debarred by the Statewide Procurement Division (SPD). The Board was unable to provide a dated and printed copy of all required vendor compliance verification documents to demonstrate that each verification was performed. The Board stated that in 2016, purchasing staff was instructed to complete a signed checklist listing the dates the debarment check and Vendor Performance Tracking System (VPTS) check were performed and to include the checklist in the contract file. As a result of the audit, the Board has updated its procedure to include a dated and printed copy of each required vendor compliance verification document as well as the contract folder checklist in each contract folder.

The Board must check the debarred vendor list on the Comptroller's website to confirm that a vendor has not been debarred by SPD. An agency cannot award a contract to a debarred vendor. See [State of Texas Procurement and Contract Management Guide](#) – Vendor Compliance Verifications.

### Recommendation/Requirement

The Board must verify debarred vendor status before any purchase, contract award, extension or renewal, and must retain a dated copy of the review results from each specified website in the contract file.

[Texas Government Code, Section 2155.077\(a\)](#) states that the "Comptroller may bar a vendor from participating in state contracts that are subject to this subtitle, including contracts for which purchasing authority is delegated to a state agency."

### Board Response

*Purchasing department procedures were updated for FY 2019 to require the dated and printed copy of the debarred vendor list in the contract file. Procedures prior to FY 2019 included checking the debarred vendor status and noting the date the check was performed on the Contract Folder Checklist signed by the Purchaser, but not including a copy of the dated website printout in the file.*

### Missing VPTS Check

None of the three contract files contained proof that the Board evaluated vendor performance reports in the VPTS before awarding the contracts. According to the Board, purchasing staff signed a contract folder checklist with the dates of the debarment check and the VPTS check and included the checklist in the contract file.



However, in 2016 it was not the Board's practice to include individual screen shots in the file. The Board has updated its procedure to include a dated and printed copy of each required vendor compliance verification document as well as the contract folder checklist in each contract folder.

Reviewing the vendor performance report before awarding a contract allows the Board to identify vendors that have exceptional performance and have met all their contract obligations, and it protects the state from vendors with unethical business practices. The Board must evaluate the VPTS report before awarding a contract. See [Texas Government Code 2262.055\(d\)](#) and [34 Texas Administrative Code Section 20.217\(a\)](#). The Board must consider all the information collected and evaluated before awarding a contract.

The Board failed to show a printout of the check to determine if there were any reports filed. The Board must consider this information before awarding a contract to a vendor. The SPD administers a VPTS for use by all agencies per [34 Texas Administrative Code Section 20.115](#). SPD's VPTS relies on participation by state agencies to review evaluations from other agencies. See [Texas Government Code 2262.055](#).

## Recommendation/Requirement

The Board should enhance its policies and procedures to ensure it evaluates vendor performance reports before awarding a contract. A dated copy of the review results from the specified website must be retained as evidence and included in the procurement file.

## Board Response

*Purchasing department procedures were updated for FY 2019 to require the dated and printed copy of the Vendor Performance Report Search conducted via Texas Smart Buy in the contract file. Procedures prior to FY 2019 included checking the Vendor Performance Report Search for the vendor and noting the results and date the check was performed on the Contract Folder Checklist signed by the Purchaser, but not including a copy of the dated website printout in the file.*

## Interest Not Paid

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a government entity's payment is overdue on the 31st day after the later of:

- The date the government entity receives the goods under the contract.
- The date the performance of the service under the contract is completed.
- or–
- The date the government entity receives an invoice for the goods or service.





The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#) and [eXpendit](#) – Prompt Payment.

During the audit period, the Board paid vendors \$374.88 in prompt payment interest. In the sample, auditors identified one contract transaction that was paid late, but interest of \$70.46 was not paid to the vendor. According to the Board, the vendor refused interest in error.

## Recommendation/Requirement

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The Board must review its procedures to ensure it both submits payment information for processing and releases each payment in a timely manner to avoid incurring interest liabilities. In addition, the Board must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to vendors. See [eXpendit \(FPP I.005\)](#).

## Board Response

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*We agree the payment in question should have included late payment interest. It was inadvertently included in a group of invoices from the same vendor which were in a disputed status. SPB will make sure due dates are entered correctly and that interest is refused only on disputed invoices. We feel that our procedures are adequate; this was an oversight amidst ongoing issues with a certain vendor. In the future, the Chief Accountant will be scrutinizing more closely payments to this vendor and other vendors with potential disputed invoices.*

## Travel Transactions

Auditors developed a sample of six travel transactions totaling \$5,018.75 to ensure the Board complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed one exception for this group of transactions.

## Early Check-In Fee Not Payable

Auditors identified one transaction in the sample where the Board reimbursed an employee for an early check-in fee of \$30 for a commercial airline. Early check-in fees are not payable unless there is a valid business need. The Board stated that the fee was not caught and should have been disallowed during review of the traveler's reimbursement request.

[Texas Government Code, 660.007\(a\)](#) requires a state agency to minimize the amount of travel expenses paid or reimbursed by the agency. The agency must ensure that each travel arrangement is the most cost effective considering all relevant circumstances.



## Recommendation/Requirement

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The Board must exercise caution in its use of state funds and ensure its expenditures are fiscally responsible. The Board must review all travel expense claims for legality and accuracy before payment.

## Board Response

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*This was an oversight on our part but we feel that SPB's review of travel expense claims for legality and accuracy is very thorough. The total airfare was charged to the agency's direct bill travel account, so there was not a reimbursement to the employee. We have added verbiage to our internal Travel Planning Resources and Travel Authorization Request documents that explicitly states early check-in fees are not allowable expenses.*

## 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. Audit tests revealed two exceptions in these transactions.

## Missing Asset Tags

Auditors identified two of the 11 assets surveyed during the audit that did not have asset labels attached before the audit. The Board purchased a welcome/information desk for the Capitol Visitors Center in April 2018 but did not properly tag it until auditors brought it to Board staff's attention. The Board stated the item was purchased in three separate parts at three different times and there was an oversight in tagging the item in a timely manner.

In addition, a Kawasaki golf cart for the cemetery did not have an asset tag during the physical verification process. The Board believes the asset tag was previously placed on the golf cart, but that it somehow fell off. The Board placed a new asset tag on the golf cart after the audit. All 11 assets were found in the expected locations.

Agencies are required to label all property with an identifying tag. All property capitalized or designated as a "controlled" asset, except for real property, must be marked or tagged as property owned by the agency. See [SPA Process User's Guide – Chapter 2 – General Policies – Tagging of Property](#). At the time of acquisition, the Board should make all reasonable efforts to tag capitalized and controlled assets despite difficulty finding a suitable location to attach tags.

## Recommendation/Requirement

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The Board must tag all capitalized and controlled assets at the time of acquisition.



## Board Response

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*The capital item in question (Kawasaki golf cart) was tagged at the time of acquisition; however, the tag was missing at the time of the auditor's review. The inventory tag must have been dislodged during normal use or may have been removed by a non-employee since it was often parked in an unsecured location during work hours. We affixed another tag in a less visible location on the equipment as soon as it was brought to our attention by the auditors. Regarding the welcome/information desk, the asset was tagged and added to SPA in June 2019 as soon as the error was brought to our attention. Since implementing CAPPs Financials in FY 2019, we are required to receive the asset in the CAPPs receiving system (must include asset ID number at this time) before a payment will process; therefore, all assets will be recorded in CAPPs/SPA at the time of payment(s).*

## Failure To Report Asset Timely

Auditors identified one of the 11 assets surveyed during the audit that was not reported to State Property Accounting (SPA) before the audit. The Board purchased a welcome/information desk for the Capitol Visitors Center in April 2018 but did not report it to SPA until auditors noted it. The Board purchased the item in three parts at three different times, and there was an oversight in adding the item in a timely manner.

Agencies must enter their property online at the time of acquisition and maintain the information perpetually. See [SPA Process User's Guide – Chapter 2 – General Provisions – Request for Agency Reporting Status](#).

## Recommendation/Requirement

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The Board must ensure all capitalized and controlled assets are reported to SPA at the time of acquisition.

## Board Response

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*We agree the capital asset was not added to SPA in the fiscal year it was purchased. The capital asset in question was purchased in three installments over a six-month period in FY 2018. The property manager intended to add the asset to SPA after the last payment; however, it was overlooked at that time. The asset was tagged and added to SPA in June 2019 as soon as the error was brought to our attention. Since implementing CAPPs Financials in FY 2019, we are required to receive the asset in the CAPPs receiving system (must include asset ID number at this time) before a payment will process; therefore, all assets will be recorded in CAPPs/SPA at the time of payment(s).*





## Security

The audit included a security review to identify Board employees with security access 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 Board's internal control structure was limited to obtaining reports identifying current users' access. The review did not include tests of existing mitigating controls. Audit tests 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 Board placed on its accounting staff's ability to process expenditures. Auditors reviewed the Board's security in USAS, the Uniform Statewide Payroll/Personnel System (USPS), the Texas Identification Number System (TINS) and the voucher signature cards in effect on May 1, 2019. Auditors did not review or test any internal or compensating controls that the Board might have related to USAS, USPS or TINS security, or internal transaction approvals.

The Board had three employees with multiple security capabilities. All three employees had the security access to:

- Enter/edit a payment voucher and release/approve a payment in USAS.
- Enter/edit and release payments in the internal accounting system and release/approve payments in USAS.
- Process/edit and release payroll in USAS.

Two of these employees had other multiple security capabilities. Both employees had the security access to:

- Process/edit and release payroll in USPS.
- Enter/edit a payment voucher in USAS, create/edit a vendor in TINS and edit/update vendor direct deposit information in TINS.
- Release/approve a payment in USAS, create/edit a vendor in TINS and edit/update vendor direct deposit information in TINS.
- Edit/update a vendor profile in TINS and edit direct deposit information for a vendor in TINS; they were also on the agency signature card (could approve paper vouchers).



- Edit direct deposit information for an employee and process/edit/release payroll in USPS.
- Hire an employee and process and release payroll in USPS.
- Enter/edit a payment voucher in USAS, and were on the agency's signature card (could approve a paper voucher) and change the warrant hold status of a vendor in TINS.

The Board stated that due to the limited number of staff, complete segregation of tasks is not possible.

Auditors also ran a report to determine whether any of the Board'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 Board 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 that the Board:

- Elect to have the document tracking control edit on the USAS 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.
- Ensure that employees with payment voucher entry/change/delete status in the Board's internal system cannot approve/release payments in the internal system or in USAS. A supervisor or another employee must approve the vouchers in the internal system.
- Work with Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate entry and approval of payroll transactions in USAS and USPS.
- Limit the access of users who can enter/change a voucher in USAS to view-only access in TINS (PTINS02). An individual must not be able to create a payment and create or change a vendor profile/direct deposit information.
- Limit the access of users who can release/approve a batch in USAS to view-only access in TINS (PTINS02). An individual must not be able to approve a payment and create or change a vendor profile/direct deposit information.
- 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/direct deposit information and approve a payment.



- Work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the USPS ability to hire an employee from the ability to process/release payroll transactions.
- Ensure that employees who can process a payment voucher in USAS and 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.

## Board Response

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*SPB continues to review the controls over expenditure processing and segregates each task to the extent possible.*

*The agency has in place the preventative control in the agency's USAS D02 profile set to "Warn the user when the same user attempts to release his or her own entries or changes."*

*There is additional internal oversight via the DAFR 9840 (Risky Doc Report) which is requested on a monthly basis and reviewed by the Chief Accountant, the CFO, and the Internal Auditor.*

*Segregation of duties has been improved through our conversion to CAPPS Financials where security is role-based.*





# 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 Texas State Preservation Board (Board) payroll, purchase, procurement and travel transactions that processed through USAS and USPS from Sept. 1, 2017, through Aug. 31, 2018, to determine compliance with applicable state laws.

The Board 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 Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board'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 Board's documents comply in the future. The Board 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

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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"><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.