



# An Audit of the Texas School for the Blind and Visually Impaired

Audit Report # 771-19-11  
June 12, 2020

**Glenn Hegar**  
Texas Comptroller of Public Accounts







# Table of Contents

## Executive Summary

Purpose and Scope .....	1
Background .....	1
Audit Results .....	1
Key Recommendations .....	3

## Detailed Findings

Payroll Transactions/Non-Prior Exception Report/Deductions.....	4
Incorrect Payments .....	4
Missing Prior State Service Verification/Incorrect Longevity Payment.....	5
Purchase/Procurement and Contract Transactions .....	6
Prompt Payment .....	6
Travel Transactions .....	7
Fixed Assets.....	7
Internal Control Structure .....	7
Control Weakness Over Expenditure Processing .....	7
Security.....	9
Employee Retained Security To Expend Funds After Termination .....	9

## Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team.....	10
Appendix 2 — Definition of Ratings.....	12



# Executive Summary

## Purpose and Scope

The objectives of the Texas School for the Blind and Visually Impaired (School) 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. 28, 2018.

## Background

The Texas School for the Blind and Visually Impaired (School) serves as a special public school for students ages 6 through 21 who are blind, deaf-blind or visually impaired, including those with additional disabilities. The School was established by the Sixth Texas Legislature on Aug. 16, 1856, as The Blind Institute, with a five-member board of trustees appointed by Governor Elisha M. Pease.



Texas School for the Blind and  
Visually Impaired website  
<https://www.tsbvi.edu/>

## Audit Results

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

Auditors reissued two findings related to prompt payment and control weakness over expenditure processing from the last audit conducted at the School. 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
<u>Payroll Transactions/ Non-Prior Exception Report/Payroll Deductions</u>	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Incorrect payments.</li> <li>• Missing prior state service verifications resulting in incorrect longevity payments.</li> </ul>	Compliant, Findings Issued
Travel/Non-Overnight Transactions	Did travel 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?	 Prompt payment errors	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting system?	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?	 Two employees were identified with multiple incompatible duties.	Compliant, Findings Issued
<u>Security</u>	Are School employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	One person retained ability to access systems 15 days after termination of employment.	Compliant, Findings Issued



Repeat Finding





## Key Recommendations

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

- The School should review its controls and personnel records to ensure accuracy and completeness as well as ensure that its internal operating procedures include quality-control measures to detect incorrect compensation to employees.
- The School should review the payroll/personnel records, including job applications, to ensure it has properly verified, documented and entered all prior state service in its system to ensure accurate longevity pay.
- The School should enhance its payment processing procedures to ensure it makes payments in a timely manner to avoid incurring interest charges.
- The School must have or implement additional controls over expenditure processing that segregate each accounting task to the greatest extent possible.
- The School must comply with terminated employee security revocation requirements.



# Detailed Findings

## Payroll Transactions/Non-Prior Exception Report/ Deductions

Auditors developed a sample from a group of 25 employees and 138 payroll transactions totaling \$230,735.09 to ensure the School complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, auditors reviewed a report generated outside the sample listing 15 employees with potential prior state service, as well as a limited sample of 21 voluntary contribution transactions. Audit tests revealed the following exceptions in the payroll transactions.

### Incorrect Payments

Auditors identified three employees who received incorrect salary payments and one employee who received invalid shift differential payments.

The first employee moved from a part-time to a full-time position mid-month and was compensated for hours worked under the part-time position at the salary rate of the full-time position, resulting in an overpayment. The second employee received an overpayment as a result of a processing error that occurred due to a change in job status. The third employee moved from a full-time to a part-time position mid-month and was compensated for hours worked under the full-time position at the salary rate of the part-time position, resulting in an underpayment in salary. The errors resulted in a total of \$27.53 in overpayments and \$45.09 in underpayments.

In addition, one employee received shift differential pay despite no longer being in a shift-differential eligible position. According to the School, under the legacy Uniform Statewide Payroll/Personnel System (USPS), this was a manual process. According to policies and procedures, the manager was supposed to email the payroll department to remove the differential eligibility when a nurse changed to a non-eligible shift. However, it appears the manager at the time did not send the email, and the current manager had no visibility to see the incorrect differential pay was continuing. The employee was overpaid a total of \$3,692.53 in shift differential pay during the audit period.

Agencies must maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation during a post-payment audit, a pre-payment audit or at any other time. See [Texas Payroll/Personnel Resource General Provisions Q-Z – Required Documentation](#).



## Recommendation/Requirement

---

The School must review its controls and personnel records to ensure accuracy and completeness, as well as ensure its internal operating procedures include quality-control measures to detect and prevent overpayments or underpayments of compensation to an employee. See [34 Texas Administrative Code Section 5.40\(c\)](#). The School must compensate the underpaid employee and should consider recovering the overpayments in accordance with the [Texas Government Code, Section 666](#).

## School Response

---

*The agency agrees with the recommendation. The agency implemented CAPPS HRI Payroll in fiscal year 2020. The new system will allow for better detecting and tracking of overpayments and underpayments. The policies and procedures support this recommendation.*

## Missing Prior State Service Verification/Incorrect Longevity Payment

Auditors identified two employees in the sample and four employees in a report generated outside of the sample without the prior state service verifications necessary for accurate longevity payments.

The School correctly entered the prior state service for one of the two employees in the sample but did not have the verification on file. The second employee in the sample had disclosed the prior service in the application, but the verification was not on file, resulting in \$100 of underpaid longevity.

The four employees in the report generated outside of the sample disclosed their prior service on their applications, but the School did not complete verifications at the time of hire. This resulted in two employees being underpaid longevity pay in the amounts of \$200 and \$40.

The School obtained the missing verifications during fieldwork and corrected the employees' state effective service dates in its internal system.

When an agency hires an employee, the agency must research and document whether the employee has prior state service. See [Texas Payroll/Personnel Resource – General Provisions Q-Z – Required Documentation](#). If prior state employment exists, the agency must confirm and properly record the amount of lifetime service credit.

If the agency fails to verify an employee's prior service, the lifetime service credit for longevity will be based on the employment date at the new agency, and the employee might not receive correct longevity payments. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).



## Recommendation/Requirement

---

The School must continue to review the payroll/personnel records, including employee job applications, to ensure that all prior state service is properly verified and documented and that longevity pay increases and leave accruals occur at the correct times. In addition, the School should update its policies and procedures to ensure it asks employees at point of hire to provide prior state service information and then documents responses. The School must compensate the employees who were underpaid longevity pay.

## School Response

---

*Human Resources (HR) revised the existing form that new hires use to disclose state service. When this form is processed, the HR staff member will also review the State of Texas Application (SOTA) as well as any submitted resume for additional potential state agencies. Gaps could still occur if the new hire, the SOTA or the resume, if applicable, do not reflect a new hire's prior state agency. When this occurs, HR will take the necessary action to correct once identified.*

## Purchase/Procurement and Contract Transactions

Auditors developed a sample of 50 purchase/procurement transactions totaling \$580,971.58, as well as three vendor contracts with eight transactions for a total of \$12,060, to ensure the School complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed the following exceptions in the procurement process.

## Prompt Payment

During the audit period, the School paid vendors \$31.31 in prompt payment interest. Auditors identified four transactions where the School did not follow the prompt payment laws correctly.

In the purchase sample, auditors identified three transactions where the interest was not paid and one transaction where the interest was overpaid. According to the School, these issues resulted from employees needing additional training.

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.
- 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](#).

## Recommendation/Requirement

---

The School must ensure its staff is trained to submit payment information for processing and release payments in a timely manner to avoid incurring interest liabilities. In addition, the School's staff must verify it enters proper due dates to ensure that, if interest is due, it is paid correctly to vendors. See [eXpendit – Prompt Payment](#).

## School Response

---

*The agency agrees with the recommendation. The agency has implemented a new escalated number of response request emails sent out. These are tracked by management also so the agency can ensure no invoices are forgotten about.*

## Travel Transactions

Auditors developed a sample of 26 travel transactions totaling \$11,442.98 to ensure the School complied with the GAA, [Textravel \(FPP G.005\)](#), pertinent statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

## Fixed Assets

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

## Internal Control Structure

Auditors reviewed the School employees' access to various Comptroller systems to determine if any individuals had multiple security abilities that would allow them to process payments through the systems without oversight by any other individual. 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 School placed on its accounting staff's ability to process expenditures. Auditors reviewed the School's security in the Uniform Statewide



Accounting System (USAS), USPS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on Jan. 1, 2019. Auditors asked if the School had mitigating/compensating controls relating to USAS, USPS or TINS security or internal transaction approvals to reduce risks associated with segregation of duties, but the School did not have any.

The School has two employees who can perform the following conflicting functions without oversight:

- Create/adjust vendor/employee profiles and payment instructions in TINS and are on the signature card, allowing employees to approve paper vouchers (expedites).
- Pick up warrants by being on the Authorization for Warrant Pickup list and approve paper vouchers (expedites) by being on the signature card.

The School explained that due to its accounting staffing limitations, it had some overlapping responsibility in its transaction approval process.

## Recommendation/Requirement

---

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate 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 School:

- 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.
- 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.
- Implement other controls to mitigate the risk associated with staff having incompatible duties if segregation of duties cannot be reasonably attained.

## School Response

---

*The agency agrees with the recommendation. The agency verified all job duties during the department reorganization as well as hiring of new employees. The agency has verified and updated both the warrant pickup list as well as the agency's signature card.*



## Security

The audit included a security review to identify any of the School'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 test revealed the following exceptions.

### Employee Retained Security To Expend Funds After Termination

The School did not timely notify the Comptroller's office about the termination of one employee designated by the School to approve its expenditures. The employee terminated on Sept. 30, 2018; the School submitted the request to remove the employee from USAS security on Oct. 15, 2018. According to the School, its security coordinator prepared a notification before going on vacation. When she returned, she noticed she had not sent the request, so sent an email dated Oct. 15, 2018, to the Comptroller's office requesting the employee's removal.

The lack of timely notification meant the employee kept USAS security for 15 days after termination of employment and could have approved expenditures submitted to the Comptroller's office during that time. Any expenditure approved under an employee's expired authority would constitute an unapproved expenditure. Auditors ran a report to determine whether any expenditure was approved by the employee and found none.

### Recommendation/Requirement

An agency must notify the Comptroller's office when a designated employee's authority to approve expenditures is revoked for any reason. See [34 Texas Administration Code Section 5.61\(k\)](#). Any officer or employee can notify the Comptroller's office of termination or revocation, per [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#). The Comptroller's office accepts emails, faxes, letters, memos or other writings in advance of the expiration date, as long as the communication indicates that the employee has terminated employment, had security revoked, or will experience either a revocation or termination in the near future. The notification must also specify the effective date of the revocation or termination.

### School Response

*The agency agrees with the recommendations. The agency has included the termination of access into the employee out-processing. Also, the security coordinator created an Excel document to quickly identify current access.*





# 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
  - 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 School for the Blind and Visually Impaired (School) payroll, purchase and travel transactions that processed through USAS and USPS from March 1, 2017, through Feb. 28, 2018, to determine compliance with applicable state laws.

The School received appendices with the full report, including a list of 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 School should implement the recommendations listed in the Detailed Findings of this report. It is the School'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 School's documents comply in the future. The School 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

*Jesse Ayala, Lead Auditor*

*Mayra Castillo, CTCD, Payroll Auditor*

*Raymond McClintock, Purchase/Contract*



## 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.