



An Audit of the Texas Medical Board

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Table of Contents

Executive Summary

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

Detailed Findings

Payroll Transactions	4
Contract Transactions	4
Missing Needs Assessment	4
Purchase Transactions	5
Travel and Non-Overnight Travel Transactions	5
Security	5
Failure To Notify Comptroller To Remove Employee from Signature Card	5
Internal Control Structure	6
Control Weakness Over Expenditure Processing	6
Fixed Assets	8

Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team	9
Appendix 2 — Definition of Ratings	11



Executive Summary

Purpose and Scope

The objectives of the Texas Medical 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 June 1, 2017, through May 31, 2018.

Background

The mission of the Texas Medical Board is to protect and enhance the public's health, safety and welfare by establishing and maintaining standards of excellence used in regulating the practice of medicine and ensuring quality health care for the citizens of Texas through licensure, discipline and education.


Texas Medical Board website
<https://www.tmb.state.tx.us/>

Audit Results

The Board generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors identified no issues with payroll, purchase, travel or non-overnight travel. However, the Board should consider making improvements to its contract planning process, security and internal 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 October 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>Contract Transactions</u>	Did the purchase/ procurement and contract-related payments comply with the GAA, pertinent statutes and Comptroller requirements?	Missing needs assessment	Compliant, Findings Issued
Purchase Transactions	Did purchase payments comply with state laws and regulations pertaining to purchase and other pertinent statutes?	No issues	Fully Compliant
Travel and Non-Overnight Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Security</u>	Are Board employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Failure to timely notify Comptroller to remove one employee from signature card	Compliant, Findings Issued
<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 had ability to process expenditures without oversight	Control Weakness Issues Exist
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting system?	No issues	Fully Compliant





Key Recommendations

Auditors made three recommendations to help mitigate risk arising from control weaknesses. The recommendations are:

- To ensure successful procurements, the Board should develop and maintain procurement planning documentation, including the needs assessment.
- The Board must ensure compliance with [34 Texas Administrative Code, Sections 5.61\(k\)\(3\)\(B\) and 5.61\(k\)\(5\)\(A\)-\(B\)](#). The Board must also ensure the person responsible for sending these notifications to the Comptroller's office is aware of terminations on or before the effective date and will follow through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.
- The Board should segregate each task to the extent possible to ensure no individual is able to process payments without another person's involvement.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample totaling \$249,144.85 from a group of 20 employees and 106 payroll transactions to ensure the Board complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, a limited sample of 10 voluntary contribution transactions was audited with no exceptions identified. Audit tests identified no audit issues from this group of transactions.

Contract Transactions

Auditors developed a representative sample of four contract transactions from two contracts to ensure the Board 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 exception.

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$125,000.00	Contracted Consulting Services	Missing needs assessment	No exceptions	No exceptions	No exceptions	No exceptions
Contract B	\$58,235.18	Personal Property, Maintenance/Repair	No exceptions	No exceptions	No exceptions	No exceptions	No exceptions

Missing Needs Assessment

Auditors noted one contract missing documentation of a completed needs assessment. Procurement planning is a crucial step in any successful procurement because with proper planning, an agency is likely to achieve its procurement objectives in an efficient and timely manner. Planning activities include developing a needs assessment, a cost estimate and an acquisition plan. As part of the needs assessment, the agency may conduct market research, study historical spend, use benchmarking and issue a Request for Information (RFI) to the vendor community. See [State of Texas Procurement and Contract Management Guide](#) – Procurement Planning.



Recommendation/Requirement

To ensure successful procurements, the Board should develop and maintain procurement planning documentation, including the needs assessment.

Board Response

Agency purchaser and GC will ensure that all contract documentation is complete with a primary (purchaser) and secondary (GC) review.

Purchase Transactions

Auditors developed a representative sample of 30 purchase transactions totaling \$331,378.07 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 for this group of transactions.

Travel and Non-Overnight Travel Transactions

Auditors developed a representative sample of 30 travel transactions totaling \$9,748.90 and 15 non-overnight transactions totaling \$918 to ensure the Board 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 Board 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 met so that security can be revoked in a timely manner.

Failure To Notify Comptroller To Remove Employee from Signature Card

During the audit period, the Board failed to timely notify the Comptroller's office about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee from the signature card was sent 848 days late, so the former employee could have approved paper vouchers submitted to the Comptroller's office during that time. Any payment approved by a terminated employee would constitute an unapproved expenditure. Auditors ran a report and determined no unapproved documents were processed during the audit period. The



Board has procedures to notify the security coordinator of personnel actions. In this instance, the failure to process the request to remove the employee from the signature card was an oversight.

When a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective termination date. Any officer or employee may send the Comptroller's office the notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

Recommendation/Requirement

The Board must ensure compliance with the terminated employee security revocation requirements. It must also ensure the person responsible for sending revocation notifications to the Comptroller's office is aware of terminations on or before the effective revocation dates and will follow up with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Board Response

The HR department will notify the Comptroller's office of employee termination in a timely manner by the CAPPs termed employee query on a monthly basis.

Internal Control Structure

As part of the planning process for the post-payment audit, auditors reviewed certain limitations the Board placed on its accounting staff's ability to process expenditures. Auditors reviewed the Board'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 Feb. 14, 2019. Auditors did not review or test any internal or compensating controls that the Board may have related to USAS, USPS or TINS security or internal transaction approvals. Audit tests revealed the following exception.

Control Weakness Over Expenditure Processing

The review of the Board's internal control structure showed that the Board has two employees who have the authority to:

- Enter/edit and release payments in USAS.
- Enter/edit and release payments in the Board's internal accounting system and release/approve payments in USAS.
- Process/edit and release a payroll in USAS.



- Enter/edit and release/approve a payment in USAS and create/edit and edit/update a vendor in TINS.
- Edit/update a vendor profile and edit direct deposit information for a vendor in TINS, and are on the Board's signature cards.

One of the employees is also on the Board's signature cards and the Board's Authorization for Warrant Pickup List.

Auditors ran a report to determine whether any of the Board's payment documents were processed through USAS during the audit period because of the action of only one person. There were no documents that were either entered and approved or altered and approved by the same person without another person's electronic oversight. The Board stated that due to the limited number of staff members, employees have multiple roles in processing but control structure is maintained internally.

Recommendation/Requirement

To reduce risks to state funds, agencies must 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 Board implement the following recommendations:

1. Limit user access in USAS to either enter/change voucher or release/approve batch.

If the Board cannot separate the functions and/or does not have other internal mitigating controls in place, the Board should elect to have the document tracking control edit on the 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. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

Additionally, the Board should consider the preventive and detective controls over expenditure processing discussed in [USAS Accounting and Payment Control \(FPP B.005\)](#), such as the Risky Document Report (DAFR9840), which identifies documents that the same user entered or altered and then released for processing.

2. Ensure that employees with voucher/payment entry/change/delete status in the Board's internal system are not able to approve/release payments in the internal system or in USAS. A supervisor or another employee must approve the vouchers in the internal system.



3. 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 USAS.
4. Limit the access of users who can enter/change or approve vouchers in USAS to view-only access in TINS (PTINS02). An individual must not be able to create or approve a payment and create or change a vendor profile/direct deposit information.
5. 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.

Board Response

Since the agency is now a CAPPSIFIN agency effective 9/1/19, all expenditures must be reviewed and approved before processing. Approvers cannot change or edit expenditures. The agency has internal processes in place for this.

Comptroller Response

Although the Board did transition to CAPPS, it stills retains the ability to enter or make changes to documents and vendors in USAS, USPS, TINS, and on expedites. The Board must remove employees' security as needed to prevent these conflicts.

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 locations and properly recorded in the State Property Accounting (SPA) 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) 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 Texas Medical Board (Board) payroll, purchase, procurement and travel transactions that processed through USAS and USPS from June 1, 2017, through May 31, 2018, to determine compliance with applicable state laws.

The Board 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 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"> 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.