



# An Audit of the Texas Commission on Fire Protection

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# Executive Summary

## Purpose and Scope

The objectives of the Texas Commission on Fire Protection (Commission) audit were to determine whether:

- Contracts were procured according to applicable state laws and Comptroller requirements.
- Payments were processed according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Appropriate security over payments was implemented.
- Capital and high-risk assets were properly recorded.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office) and covers the period from Sept. 1, 2018, through Aug. 31, 2019.

## Background

The Commission's mission is to help protect the lives and property of Texas citizens by developing and enforcing professional standards for individuals and the fire service.

The Commission maintains a fire protection resource library and an injury reporting program to fulfill its first goal of providing education and assistance to the fire service. The Commission fulfills its second goal of enforcing statewide fire service standards through certifications, training and testing, and compliance.


**Texas Commission on Fire Protection website**

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

## Audit Results

The Commission generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with travel. However, the Commission should consider making improvements to its payroll, purchase, grant, security and internal control processes. The Commission had no recent active or inactive contracts or fixed asset purchases to review during the audit. The auditors reissued three findings from the last audit conducted at the Commission. Auditors originally issued these findings, related to a missing procurement plan, security access and controls over expenditure processing, 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?	Incorrect state effective service date/incorrect longevity payment	Compliant, Findings Issued
Travel/Non-Overnight Transactions/Travel Card Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase/ Payment Card Transactions</u>	Did purchase and payment card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	 Annual procurement plans have not been submitted. <ul style="list-style-type: none"> <li>• Incorrect procurement method used.</li> <li>• Missing documentation confirming receipt of goods or services.</li> <li>• Missing documentation of warrant hold check.</li> <li>• Missing proprietary purchase justification.</li> <li>• Untimely PO and missing detailed scope of work, terms and conditions.</li> </ul>	Compliant, Findings Issued
<u>Grant Transactions</u>	Did grant transactions comply with the GAA and state laws and regulations pertaining to grants?	Missing grant agreement and published purpose	Compliant, Findings Issued
<u>Targeted Analysis – IAT/Direct Deposit Forms</u>	Did the Commission comply with the federal mandate to handle payments involving the international movement of funds?	Incomplete Direct Deposit Authorization forms	Compliant, Findings Issued



Repeat Finding





Area	Audit Question	Results	Rating
<u>Security</u>	Are Commission employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	<ul style="list-style-type: none"><li>• Failure to notify Comptroller to remove employee from signature card.</li><li>• Failure to request security access removal after terminated employee's authority expired.</li><li>• Missing Confidential Treatment of Information Acknowledgement forms.</li></ul>	Control Weakness Issues Exist
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	<ul style="list-style-type: none"><li>• Control weakness over expenditure processing</li></ul>	Control Weakness Issues Exist



Repeat Finding

## Key Recommendations

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

- Ensure staff verifies employees' prior employment periods and enters them in the Uniform Statewide Payroll/Personnel System (USPS).
- Ensure staff updates the procurement plan and submits it to the Comptroller's office annually by Nov. 30.
- Ensure staff uses the correct procurement method as outlined in the [State of Texas Procurement and Contract Management Guide](#).
- Ensure staff maintains adequate documentation to support all payments for goods and services.
- Verify vendor's warrant hold status before making any payment card purchase over \$500 and retain the results as evidence in the purchase file.
- Ensure staff completes and retains a proprietary purchase justification for a purchase of goods or services limited to only one manufacturer, product or provider.
- Ensure staff does not order goods or services before finalizing a purchase order (PO) and providing it to the vendor.



- Maintain sufficient controls over grant funds by documenting grant agreement and implementing monitoring procedures.
- Ensure all payees who request direct deposit payments submit a completed, signed Direct Deposit Authorization form.
- Ensure compliance with revocation requirements for terminated employees.
- Enhance procedures to ensure no user can access the statewide financial systems without a completed Confidential Treatment of Information Acknowledgment (CTIA) form.
- Review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure no individual can process payments without oversight.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$113,480.39 from a group of 10 employees and 33 payroll transactions to ensure the Commission complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions. Additionally, auditors reviewed a limited sample of 12 voluntary contribution transactions and identified no exceptions.

## Incorrect State Effective Service Date/Longevity Payment

In a report generated outside of the payroll sample, auditors identified one employee with an incorrect state effective service date. The report identified an employee with prior state service that had not been verified by the agency or that the employee did not disclose during the new hire process. As a result of the audit, the Commission corrected the entry in USPS to update the state effective service date.

### [34 Texas Administrative Code Section 5.40\(c\)\(2\)](#)

Quality control measures. Each state agency must ensure its internal operating procedures include quality control measures that will detect any underpayment of compensation to a state employee.

The Commission has procedures to verify prior state service, including verifying state service whenever an employee lists previous state employment in the application. At the time of hire, the employee listed the previous state employment on the application and on the Commission's internal prior state service information form. The Commission sent a verification form to the prior agency and obtained the verification document confirming the prior service, but did not enter the prior employment dates into USPS. The Commission stated it overlooked entering the employee's previous state employment, which resulted in using an incorrect state effective service date to calculate the employee's longevity payment.

During the audit, the Commission entered the prior state service and made the required entries in USPS. The employee received the appropriate additional state service credit and the Commission processed a payroll document to compensate the employee for the underpaid longevity pay using regular payroll and miscellaneous claims processes.

When an agency hires an employee, it must research whether the employee has previous state employment. If prior state employment exists, the agency must confirm the amount of lifetime service credit and properly record it or risk underpaying longevity pay. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).



## Recommendation/Requirement

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The Commission must review its controls and personnel records to ensure accuracy and completeness. [34 Texas Administrative Code Section 5.40\(c\)\(2\)](#) states each state agency must ensure its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to an employee.

The Commission must ensure it follows its internal policies, verifies previous state employment when it is listed on an application or other applicable form, and enters the prior employment into USPS. Additionally, the Commission should consider enhancing its procedures to include the [State of Texas Employment History Application](#) during the new hire process to ensure employees receive state service credit for eligible periods of state employment.

## Commission Response

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*The agency has completed the resolution on this issue. Procedures were reviewed to ensure compliance.*

## Travel Transactions

Auditors developed a sample of 20 travel transactions totaling \$2,269.44 to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Auditors also developed a sample of five non-overnight travel transactions totaling \$226.21. Audit tests revealed no exceptions in this group of transactions.

## Purchase/Payment Card Transactions

Auditors developed a sample of 30 purchase transactions totaling \$41,647.92 and six payment card transactions totaling \$2,828.34 to ensure the Commission complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed several exceptions in these transactions.

## Annual Procurement Plans Not Submitted

The Commission's annual procurement plan was not submitted to the Comptroller's office. Staff at the Commission was not aware of the requirement to submit an annual plan, and had not submitted one since fiscal 2016.

When an agency does not submit an annual procurement plan, the Comptroller's office is not able to analyze state spending or opportunities for contract consolidation at the statewide level or evaluate agency personnel's authority to submit procurement requests, such as open market requisitions or delegation requests.





According to [34 Texas Administrative Code Section 20.132\(b\)](#), state agencies must formulate a procurement plan that identifies management controls and purchasing oversight authority in accordance with the policy guidance in the [State of Texas Procurement and Contract Management Guide](#).

Agencies must submit a current procurement plan to the Comptroller's office annually by Nov. 30. A state agency annual procurement plan template and submission information are located on the Comptroller's office website. See the [State of Texas Procurement and Contract Management Guide](#).

## Recommendation/Requirement

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The Commission must ensure staff updates the procurement plan and submits it to the Comptroller's office annually by Nov. 30 using the template provided on the Comptroller's office website.

## Commission Response

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*The agency will submit the annual procurement plan prior to the deadline for this current calendar year. Procedures have been updated to reflect this requirement for future years.*

## Incorrect Procurement Method Used

Auditors identified three transactions, out of 30, where the Commission did not use the correct procurement method for the purchase of office furniture. Two of the transactions (for office chairs) were purchases made directly from the vendor even though there was a TxSmartBuy term contract for that vendor at the time of the purchase. The other transaction (for standing desks and monitor arms) was a purchase made directly from a non-statewide contracted vendor.

In addition, none of the three purchases had the required waivers or exceptions to purchase the goods outside of Texas Correctional Industries (TCI), WorkQuest or Statewide Procurement Division (SPD) term contracts.

Although Commission procedures require the purchaser to use state-approved purchasing methods to research vendors for the goods/services and to identify vendors offering the best cost or value for such goods/services, this did not always occur.

The [State of Texas Procurement and Contract Management Guide](#) notes that incorrect procurement methods do not provide the best value to the state, are likely to be more expensive and less efficient than the correct method, and in the worst case, may result in a void contract that must be resolicited.



According to the [State of Texas Procurement and Contract Management Guide](#), Texas law requires agencies to award contracts only to responsive vendors providing the best value to the state. The best value standard may vary depending on the procurement method, so public procurement personnel must ensure agencies use the appropriate best value standard as the basis for each contract award. The guide also describes the process for selecting the appropriate procurement method and provides details for the following resources:

- TCI.
- State Use Program (WorkQuest, formerly TIBH Industries).
- SPD term contracts.
- SPD Texas Multiple Award Schedule (TXMAS) program contracts.

Additionally, agencies are required to purchase goods or services from TCI or WorkQuest unless they meet exception requirements and obtain applicable waivers. See the [State of Texas Procurement and Contract Management Guide](#).

## Recommendation/Requirement

The Commission must ensure staff uses the correct purchasing method as outlined in the [State of Texas Procurement and Contract Management Guide](#). If TCI or WorkQuest offers a product or service but the Commission has a justified reason to source from a different vendor, staff must obtain appropriate waivers or document the exceptions before purchase and must document that in the procurement file.

In addition, the Commission must ensure its policies and training materials include instructions for using the correct purchasing method and maintaining necessary supporting documentation.

## Commission Response

*The agency reviewed procedures to ensure correct procurement methods will continue to be utilized by the agency as outlined in the contract guide.*

## Missing Receiving Documentation

Auditors identified six purchase transactions and one payment card transaction totaling \$6,222.92 that lacked documentation confirming the receipt of goods or services. Of the seven transactions, one was for goods, three were for software and three were for training events. One of the training event purchases was missing the receipt/invoice with the cost and description of the purchase. According to the Commission, it did not receive a detailed invoice from the vendor for the payment/purchases.



Although Commission procedures require checking purchases against the invoice or packing slip to ensure completeness and accuracy, staff has not consistently documented that this occurred. In addition, Commission policies and procedures require financial services staff to examine invoices before payment to verify receipt of items for accuracy and documentation; however, Commission staff did not note the lack of documented evidence of goods or services received.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), agencies must maintain necessary documentation for each purchase document to prove each payment is legal, proper and fiscally responsible. The Comptroller's office [eXpendit](#) page explains that the type of documentation needed to support the legality and fiscal responsibility of a payment depends on the type of claim paid. Examples of required documentation include purchase orders (POs), requisitions, contracts, invoices, receipts and receiving reports.

In addition, standard business practices and internal controls for ensuring payments are valid require adequate separation of duties in the purchasing process and a comparison (three-way match) of:

- The ordering information (PO).
- Billed amounts (vendor invoice).
- Confirmation that all goods or services were received as expected (receiving report).

If an agency does not perform the confirmation, it risks receiving incomplete orders or items purchased for personal or non-agency use. Without complete documentation, auditors could not determine whether all goods and services purchased were received as expected/billed.

## Recommendation/Requirement

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The Commission must ensure staff does not make payments for goods or services without adequate supporting documentation to justify and validate each purchase. An employee independent from the purchasing process should confirm that goods and services were received as expected, and should retain the confirmation in agency records.

The Commission must also ensure its policies and training materials include instructions on performing and documenting the confirmation of goods and services received, maintaining necessary supporting documentation, and meeting the minimum requirements and expectations for the purchasing and payment review/approval process.

## Commission Response

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*The agency reviewed procedures to comply with this requirement.*





## Missing Documentation of Warrant Hold Check

Auditors identified five payment card transactions, including three in the purchase sample, where the Commission's employees failed to document the vendor's warrant hold status before making the payment. Commission staff was unaware that physical documentation of warrant holds is needed in addition to the internal procedure of checking warrant holds.

The Commission must check the vendor's warrant hold status for non-emergency payment card transactions over \$500 and cannot proceed with a purchase until the warrant hold has been released. [34 Texas Administrative Code Section 5.57\(g\)\(6\)](#) prohibits a state agency from using payment cards for a purchase from a vendor on a warrant hold. See [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

### Recommendation/Requirement

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The Commission must check the vendor's warrant hold status before making any payment card purchase over \$500 and must retain the results of the check as evidence in the payment card file.

### Commission Response

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*Procedures on warrant hold checks were expanded beyond to include documentation.*

## Missing Proprietary Purchase Justification

Auditors identified one transaction of \$6,208.25 for the purchase of training DVDs that was missing the proprietary purchase justification. Commission staff was not aware of the requirement to complete the justification.

When a purchase specification limits consideration to one product or supplier, the purchasing agency must document the reason for the limitation by completing a proprietary purchase justification signed by the agency head, the chairman of its governing body, or a properly delegated signatory. The written justification must explain why the agency specifications for the product or service are necessary to accomplish the agency's goal for the procurement and state why no other competing products or services will satisfy the agency's need. A proprietary purchase justification is not required for procurements of \$5,000 or less. See the [State of Texas Procurement and Contract Management Guide](#).

### Recommendation/Requirement

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The Commission must ensure staff completes and retains a proprietary purchase justification when the purchase of goods or services specifies only one manufacturer, product or provider. In addition, the Commission must ensure its policies and training materials include instructions for completing the proprietary purchase justification.



## Commission Response

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*The agency has reviewed procedures to ensure compliance with this recommendation.*

### Untimely Purchase Order (PO) and Missing Detailed Scope of Work, Terms and Conditions

Auditors identified two POs that staff finalized after receiving the goods and the services. The services PO did not include a detailed scope of work or terms and conditions for vendor travel expenses related to the services purchased. Although Commission policies and procedures require the purchaser to complete the order with the chosen vendor after the PO is approved, this did not occur. The Commission created the PO after the services were performed once it was made aware of the amount of the charges by the vendor.

Without an authorized purchase agreement/PO, it is difficult for the Commission to ensure it will receive goods and services as expected. Additionally, when staff uses cost reimbursement methodology for pricing and payment and does not document defined terms and conditions in a PO or contract, vendors may not have an incentive to control costs. Clearly stated terms and conditions are the most effective means of protecting the agency from unintended risk. See the [State of Texas Procurement and Contract Management Guide](#).

## Recommendation/Requirement

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The Commission must ensure that staff finalizes a PO and provides it to the vendor before ordering goods or allowing the vendor to perform services. The PO must include a detailed scope of work and the terms and conditions of the purchase for the vendor to fulfill its obligations to the Commission, as well as any exceptions that have been accepted.

When payments to a vendor are for direct and indirect costs actually incurred (the cost reimbursement methodology), additional specifications such as per diem rates, expense limits, and requirements for using the most cost-effective options and maintaining supporting documentation should be included in the PO to provide guidance and expectations for acceptable expenses. Staff should include accurate estimates of all travel expenses related to the services purchased in the PO.

## Commission Response

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*The agency has reviewed procedures to ensure compliance with this recommendation.*

### Grants

Auditors developed a sample of two transactions totaling \$6,328.56 to ensure the Commission complied with the GAA, state laws and regulations pertaining to grants. Audit tests revealed some exceptions in these transactions.



## Missing Grant Agreement and Published Purpose

Although Texas statutes and the GAA include basic information about the source and general use of the grant funds audited, the Commission did not document its agreement with the recipient about the fund details or how the funds must be used. In addition, the purpose of the grant was not published on the Commission's public website. The Commission was not aware of the posting requirement, has not historically documented a formal agreement assigning the grant to the professional organization that receives it, and has not monitored compliance with the agreement. When the purpose of grant funds is not published, reporting on the use of public funds is not transparent.

The specific grant funds audited are appropriated to the Commission each year under the GAA from available balances and revenue collected from the sale of a specialty license plate as provided by [Texas Transportation Code, Section 504.414](#). For fiscal 2019, the estimated amount in the GAA was \$17,500 and actual receipts provided to the Commission were \$31,780. Section 504.414(b) authorizes the Commission to use the fees collected from the sale of professional firefighter plates for the purpose of making grants to provide emergency relief and college scholarship funds to professional firefighters and their dependents.

According to [Texas Attorney General Opinion JC-0484 \(2002\)](#), a grant agreement can fulfill two legislative requirements: that state agencies ensure any grants they award serve a public purpose, and that awarding agencies place sufficient controls on the transaction to ensure the grant accomplishes that public purpose.

In addition, [Texas Government Code, Section 403.0245\(b\)](#) requires an agency that awards a grant over \$25,000 to publish the purpose of that grant on the agency's website. The agency must also provide the Comptroller's office a link to the information so the information can be maintained on the Comptroller's website.

## Recommendation/Requirement

To ensure the funds are used to provide emergency relief and college scholarships to professional firefighters and their dependents, the Commission must maintain sufficient controls over the grant funds by:

- Creating a formal grant agreement between the Commission and the receiving organization to document the assignment, expectations, and any terms and conditions related to the grant funds.
- Considering implementing procedures to monitor the receiving organization's compliance with the grant agreement.

The Commission must also publish the purpose of the grant on its public website and provide the Comptroller's office with a link to that website.





## Commission Response

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*The agency is in discussions with the Firefighters Scholarship fund and an MOU between the organizations will be completed prior to the end of the calendar year. The MOU will address the issues noted.*

## Target Analysis

### Incomplete Direct Deposit Authorization Forms

Auditors reviewed the Commission's procedures to comply with the federal mandate to properly identify and handle payments involving the international transfer of funds.

Of the seven employees selected and reviewed, five direct deposit forms on file were not properly completed. Without a properly completed form on file, the Commission was unable to indicate whether state funds were forwarded to a financial institution outside the United States. The Commission stated the incomplete forms were due to a processing error.

The Office of Foreign Assets Control requires all direct deposit payments transmitted outside the United States to be identified and monitored. To avoid potential federal penalties, each state agency must:

- Show due diligence in processing all direct deposit payments.
- When possible, ensure the direct deposit payments it issues to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside of the United States.

International automated clearing house transactions (IATs) are payments destined for a financial institution outside of the United States. The Comptroller's office does not participate in IATs. If a payee informs an agency a payment is destined for a financial institution outside of the United States, then the agency may not set up that payee for direct deposit.

### Recommendation/Requirement

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The Commission must ensure all payees requesting direct deposit payments submit a completed, signed Direct Deposit Authorization form with the international payment verification question answered. The Commission should process a Direct Deposit Authorization form only if it is the proper, signed form with a completed international payment verification section.

## Commission Response

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*The agency has reviewed procedures to ensure compliance with this recommendation.*



## Security

The audit included a security review to identify Commission employees with security in Uniform Statewide Accounting System (USAS) or on the voucher signature cards who were no longer employed or whose security had been revoked. At termination or revocation, the Commission must meet certain deadlines so security can be revoked in a timely manner. Audit tests revealed the following exceptions.

### Failure To Notify Comptroller To Remove Employee From Signature Card

During the audit period, the Commission failed to notify the Comptroller's office in a timely manner about the termination of one employee who had been designated to approve expenditures.

Comptroller's office staff noted that an employee's name appeared on the state financial systems (SFS) termination report that ran on Jan. 14, 2019, with an effective retirement date of Jan. 31, 2019. Comptroller's staff removed the employee from the signature card on Jan. 22, 2019. However, SFS security did not find a request from the agency to remove the employee from the signature card and the Commission did not notify the Comptroller's office of the employee's termination despite the fact that notification within five days of termination is required. The Commission stated the error was due to an oversight.

If the employee had not been removed by the Comptroller's office staff, the former employee could have continued to approve vouchers submitted to the Comptroller's office after the termination date. Any payment produced by a paper voucher approved by a terminated employee would constitute an unapproved expenditure.

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

### Recommendation/Requirement

The Commission must ensure compliance with security revocation requirements for terminated employees. It must also ensure the person responsible for sending the revocation notifications to the Comptroller's office is aware of terminations on or before the termination date and follows up with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

### Commission Response

*The agency has reviewed established procedures to ensure compliance with this recommendation.*



## Failure To Request Security Access Removal

During the audit period, the Commission did not notify the Comptroller's office about the expired authority of one employee designated by the Commission to approve expenditures. SFS security did not find a request from the agency to remove the employee's security and the Commission did not notify the Comptroller's office of the employee's termination. The Commission is required to send a request to the Comptroller's office to remove release security for a terminated employee.

The Commission stated the error was an oversight. The lack of timely notification meant the employee could have retained USAS security after the employee's authority expired. The employee could have approved expenditures submitted to the Comptroller's office after the termination date. Any expenditure approved under the employee's expired authority would have constituted an unapproved expenditure.

When an employee's authority to approve expenditures is revoked for any reason, the employee's security profile must be changed no later than the effective date of the revocation or termination to prevent the employee from executing electronic approval for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

## Recommendation/Requirement

The Commission must ensure compliance with the security revocation requirements for terminated employees. It must also ensure the person responsible for sending the termination notifications to the Comptroller's office is aware of the employee's termination date and follows up with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

## Commission Response

*The agency has reviewed established procedures to ensure compliance with this recommendation.*

## Missing Confidential Treatment of Information Acknowledgment (CTIA) Form

As a routine part of the security review, auditors evaluated the Commission's compliance with the requirement that all users of the Comptroller's statewide financial systems complete a CTIA form. When a new user requires access to the Comptroller's systems, the Commission's security coordinator has the user read and sign the CTIA form. A reviewing official also signs the agreement, and the agency's security coordinator keeps it on file for as long as the user has access to the systems plus five years. Auditors reviewed this requirement for four employees. Two employees did not have a CTIA form on file





before accessing Lotus Notes. The security coordinator believed Lotus Notes was not a Comptroller system. Once auditors brought this to the security coordinator's attention, the two employees signed the CTIA form.

## Recommendation/Requirement

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The Commission should enhance its procedures to ensure no user gains access to any of the statewide financial systems before completing a CTIA form.

## Commission Response

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*The agency has reviewed established procedures to ensure compliance with this recommendation.*

## Internal Control Structure

The review of the Commission's internal control structure was limited to obtaining reports identifying current user access. The audit tests conducted revealed the following exceptions in user access.

## Control Weaknesses Over Expenditure Processing

As part of the planning process for the post-payment audit, auditors reviewed certain limitations the Commission placed on its accounting staff's ability to process expenditures. Auditors reviewed the Commission's security in USAS, USPS, the Texas Identification Number System (TINS) and the voucher signature cards in effect on Feb. 19, 2020.

Auditors reviewed compensating/mitigating controls the Commission indicated it has related to USAS, USPS and TINS security, as well as internal transaction approvals. After consideration, auditors determined some of those controls are either not applicable to the processes under review or are insufficient to mitigate the associated risk.

The Commission had two employees with multiple security capabilities. Both employees had the security access to:

- Enter/edit payment vouchers and payroll and release/approve payment vouchers and payroll in USAS.
- Process/edit payroll and release payroll in USPS.
- Edit direct deposit information for employees and process/release payroll in USPS.
- Hire an employee and process/release payroll in USPS.

One employee also had the security access to:

- Enter/edit and release/approve a payment voucher in USAS and create/edit vendor/direct deposit information in TINS.



- Approve a paper voucher for expedite (by being on the agency's signature card) and was on the agency's Authorization for Warrant Pickup list for expedites.
- Edit/update vendor profile/direct deposit information in TINS and was on the agency's signature card (could approve a paper voucher for expedite).
- Enter/edit a payment voucher in USAS and change the warrant hold status of a vendor in TINS.
- Approve a paper voucher for expedite (by being on the agency's signature card) and change the warrant hold status of a vendor in TINS.

## Recommendation/Requirement

The Commission should 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.

Auditors strongly recommend the Commission:

- Elect to have the document tracking control edit on the USAS Agency Profile (D02) set to either prevent a user who enters or alters a batch for the agency from releasing that same batch, or to warn a user who attempts to release his or her own entries or charges. Additionally, the Commission should review 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 the same user entered or altered, then released for processing.
- Work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USAS/USPS.
- Limit the access of users who can set up a user profile, process/release payroll and change employee direct deposit information in USPS. An individual must not be able to hire or change employee payment instructions *and* process/release (approve) payroll for the same employee.
- Limit the access of users who can enter/change or release/approve a voucher in USAS to view only access in TINS (PTINS02). An individual should not be able to create or approve a payment *and* create or change a vendor profile/direct deposit information.
- Limit user access by removing the user from the Commission's signature card or by removing the user from the Commission's Authorization for Warrant Pickup list.
- 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 vendor/employee profile/direct deposit information *and* approve a payment.



- Ensure that employees who can process a payment voucher in USAS/create a paper voucher (by being on the signature card) do not have the ability to change the warrant hold status of a vendor in TINS.

## Commission Response

*The agency is aware of these risks. The agency is limited by the size of staff and mitigates the risk through direct oversight by management and existing staff. For guaranteed continuation of services to the stakeholders, the agency has multiple users who are able to complete authorizations and approvals if staff were to be diminish in any form. The agency acknowledges these inherent risk of small organizations and has incorporated established reconciliation and review procedures which mitigate the risk to acceptable levels.*





# 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 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 Commission on Fire Protection (Commission) payroll, purchase and travel transactions processed through USAS and USPS from Sept. 1, 2018, through Aug. 31, 2019, to determine compliance with applicable state laws.

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