



An Audit of the Texas Comptroller of Public Accounts

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas Comptroller of Public Accounts (agency):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Expenditure Audit section of the Texas Comptroller of Public Accounts, and covers the period from Sept. 1, 2019, through Aug. 31, 2020. Since the Comptroller's office is both the audited agency and the auditing agency, this report will refer to the audited agency as "agency" and the auditing agency as the Comptroller's office.

Background

The Texas Comptroller's office was originally created by the Texas provisional government in 1835. The Comptroller is the chief steward of the state's finances, acting as tax collector, chief accountant, chief revenue estimator and chief treasurer for the state government. The Comptroller's office also administers programs such as the State Energy Conservation Office, Texas college savings plans and statewide procurement initiatives.

Texas Comptroller of Public
Accounts website

<https://comptroller.texas.gov/>


Audit Results

The agency largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller's office requirements. Auditors did not select any contracts for review, nor did they audit any procurement-related activities from the purchase transaction sample such as procurement planning, procurement method determination, vendor selection, contract formation and award, or contract management to avoid a duplication of effort with the Comptroller's office Internal Audit Division's recent audit of procurement and contract activities. Auditors found no issues with fixed assets or security. However, the agency should consider making improvements to payroll, purchase (including payment cards), travel (including travel cards) and internal control processes.

Auditors reissued one finding from the last audit conducted at the agency related to prior state service verifications. Auditors originally issued this finding in January 2018. 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?	 Missing prior state service verification/ incorrect longevity payment.	Compliant, Findings Issued
<u>Purchase and Payment Card Transactions</u>	Did purchase and payment card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Missing supporting documentation.• Improper payment of taxes.• Untimely warrant hold verification.	Compliant, Findings Issued
<u>Travel and Travel Card Transactions</u>	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Lack of conservation of funds.• Delegation of authority not documented.• Unauthorized use of state-issued travel card.	Compliant, Findings Issued
<u>Targeted Analysis</u>	Did the agency comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Loss to the payment card rebate program.• Incomplete Direct Deposit Authorization forms.	Compliant, Findings Issued
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 duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	Control weakness over expenditure processing	Control Weakness Issues Exist
Security	Are agency employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	Fully Compliant





Key Recommendations

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

- Review each employee's job application and research any previous Texas state employment listed. Staff must also ensure all prior state service verifications are accurate, properly documented and maintained in personnel files.
- Ensure each payment has sufficient supporting documentation and maintain the documentation appropriately.
- Ensure employees using payment cards claim the sales tax exemption and that any other taxes applied to a state purchase are removed or refunded as applicable.
- Check each vendor's warrant hold status before making any payment card purchase over \$500 and maintain evidence that staff performed the check before the purchase.
- Compare the cost of different travel methods before making travel arrangements and maintain the results.
- Ensure any lodging over the maximum lodging reimbursement rate is approved by the agency head or that person's designee before travel.
- Monitor state-issued travel card transactions to ensure users follow applicable rules and requirements and do not make personal purchases.
- Change payment processes to comply with Citi Commercial Card requirements, take advantage of rebates and avoid the double penalty of lost rebates and late interest payments.
- Ensure payees requesting direct deposit payments submit a completed, signed Direct Deposit Authorization form with the international payment verification question answered.
- Separate expenditure processing tasks to the maximum extent possible to ensure no individual can process payments without oversight.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$822,204 from a group of 40 employees and 186 payroll transactions to ensure the agency complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed one exception in this group of transactions.

Missing Prior State Service Verification/Incorrect Longevity Payment

Auditors identified four employees missing prior state service verifications. The employees listed prior service on their job applications and on the agency's internal previous state employment form, but the agency could not document that staff conducted verifications when the employees were hired, resulting in a longevity underpayment of \$3,100 for one employee and an overpayment of \$60 for a second employee.

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

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

During the audit, the agency verified the prior state service for the employees in the sample and provided the documentation validating the longevity pay amounts.

When an agency hires an employee, the agency must research whether the employee has prior state service and document the results. See [Texas Payroll/Personnel Resource – General Provisions – Required Documentation](#). If there is prior service, 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 be underpaid longevity pay. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

Recommendation/Requirement

The agency should continue to research and verify prior state service time for its employees. It must also ensure all prior state service verifications are accurate, properly documented and maintained in the personnel files. The agency must promptly correct the underpayment of compensation. See [34 Texas Administrative Code Section 5.40\(c\)](#). Additionally, the agency should consider recovering the overpayment in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost effective to do so.



Agency Response

The Human Resources (HR) division compares the employee's job application and new hire prior state service form, which the employee completes in new hire orientation. This initial check also includes prior hazardous duty employment. If prior employment is missing from the new hire form, HR forwards the form and notification of missing employment to the Budget and Internal Accounting (BIA) Division's Payroll Section to be used to seek employment verification from agencies. In addition, the Centralized Accounting and Payroll/Personnel System's (CAPPS) automated web services check captures and posts prior employment dates to the "Employment Data/Prior State Service" screen for new hires previously employed by an agency using CAPPS. This data is reconciled by the BIA Payroll Section to the new hire prior state service form. If, during this reconciliation, additional prior employment is discovered, the BIA Payroll Section notifies HR of the undisclosed employment. The BIA Payroll Section will continue to utilize these processes to verify all known prior and hazardous duty employment for every new hire. The section will also continue to utilize the peer review process to verify that entry into CAPPS is accurate per the verification that is received, as well as provide copies of the verifications to HR and maintain a file copy in the payroll section.

Purchase and Payment Card Transactions

Auditors developed a sample of 52 purchase transactions totaling \$7,319,907 and 16 payment card transactions totaling \$31,327 to ensure the agency complied with the GAA, [eXpendit \(FPP I.005\)](#), the *State of Texas Procurement and Contract Management Guide*, and pertinent statutes and policies. Audit tests revealed three exceptions in these groups of transactions.

Missing Payment Documentation

For one purchase transaction, the agency was unable to document the validity of the payment. The contract's request for proposal permitted a price increase to cover the vendor's actual increases in paper costs. However, the contract specified that the vendor must submit a copy of the new paper costs on the supplier's letterhead for the agency to consider amending the contract. When auditors requested documentation that the vendor met this contract term, the agency provided the supplier's price increase documentation, but did not provide a contract amendment reflecting the pricing change.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), a state agency, its officers and employees must maintain documentation for each purchase document to prove each payment is legal, proper and fiscally responsible.

Supporting documentation for a purchase document must be made available to the Comptroller's office in the manner required. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#). The documentation must be maintained until at least the end



of the second appropriation year after the appropriation year when the transaction was processed in the Uniform Statewide Accounting System (USAS). See [34 Texas Administrative Code Section 5.51\(e\)\(5\)\(A\)](#).

Recommendation/Requirement

The agency must ensure each payment made has sufficient supporting documentation, which must be maintained for audit review. The agency should review and update its procedures for maintaining supporting documentation for all purchases.

Agency Response

The cigarette stamp contract manager will ensure that all provisions of the contract are strictly adhered to when reviewing and permitting a paper price increase proposal. To verify that all provisions were followed, written approval will be required by the Tobacco Section Supervisor, Area Manager and Division Director prior to submission to the Contract Administration Division for final approval.

Improper Payment of Taxes

The agency paid taxes for two payment card purchases. For one purchase, staff did not claim a sales tax exemption at the time of purchase and sales tax was charged to the card. The agency stated that it will provide additional training to division staff.

For another purchase, staff paid a value added tax (VAT) at the time of purchase. During the audit, agency staff clarified with the vendor, located in Great Britain, that the VAT is included in the price and although buyers cannot buy items or services without paying the VAT, the buyer can request a refund within 60 days of the purchase.

The state of Texas, its unincorporated agencies and its instrumentalities are exempt from sales taxes. Purchase, lease or rental of a taxable item to an exempt organization is exempt from tax when an authorized agent pays for the taxable item and provides the vendor an exemption certificate from the Comptroller's office. See [34 Texas Administrative Code Section 3.322\(g\)\(2\)](#).

Recommendation/Requirement

The agency must ensure employees using payment cards claim the sales tax exemption. When purchases include other taxes, employees should determine whether these amounts can be removed or refunded. In addition, the agency must review invoices and payables before payment to ensure they are correct and do not include taxes; if the agency does pay taxes with a payment, it must request a refund of the tax.



Agency Response

It is the Accounts Payable policy to request refunds for sales tax. Accounts Payable audits for sales tax and coordinates with the division for obtaining refunds. Additionally, we are adding a reminder to the agency's monthly procurement card reconciliation email notification.

Untimely Warrant Hold Verification

For six payment card purchases over \$500 each, the agency did not provide documentation that staff checked warrant holds before the purchase. Three purchases had documentation dated after the purchase date and three had verifications that were not dated. Without documentation, auditors cannot confirm that staff checked vendors for warrant holds before making payment card purchases as required.

The agency's current procedures require staff to check warrant holds before a purchase. Accounts Payable staff audits for warrant hold verification and documentation before payment. If there is a violation, Accounts Payable informs the division and reiterates the process.

Agencies must verify warrant hold status for payment card purchases over \$500. For purchases made with local funds or payment card purchases over \$500, agencies must not proceed until any warrant hold has been released. See [eXpendit - Restricted Expenditures - Persons Indebted to the State](#).

Recommendation/Requirement

The agency must check the vendor's warrant hold status before making a payment card purchase over \$500 and must maintain evidence of the verification in the purchase records. Instructions for performing vendor compliance verifications and maintaining evidence should be included in staff training programs and related documentation.

Agency Response

Accounts Payable reviews for vendor compliance, as outlined in the Procurement Card Manual and Policies. It's the procuring division's responsibility to perform vendor compliance checks prior to use of the card. In the event that a vendor compliance check is not performed and supporting documentation is not provided, Accounts Payable alerts the division that compliance checks must be performed prior to use of the card. Budget and Internal Accounting will reiterate to divisions, during yearly trainings, the requirement to check vendors' warrant hold status.



Travel and Travel Card Transactions

Auditors developed a sample of 28 travel transactions totaling \$37,587 and 22 travel card transactions totaling \$7,761 to ensure the agency complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes/policies. Audit tests revealed three exceptions for this group of transactions.

Lack of Conservation of State Funds

In four employee travel reimbursement vouchers for 14 separate overnight trips, the travelers did not use the travel method with the lowest cost to the state. The agency reimbursed these travelers for mileage to use their personal vehicles but the estimated cost for a rental vehicle was less. Neither the cost comparison of travel methods nor the justification for choosing a higher-cost method was documented or approved before any of the trips. Staff did provide some explanation of a potential cost savings for driving a personal vehicle, but the explanation occurred after the expenditure and was not documented when staff made the travel arrangements.

When staff does not compare the costs of travel methods before travel and document the results, management cannot ensure that each travel arrangement is the most cost effective. The documentation should also address any contributing factors and explain any cost-saving strategies that are not obvious for complete transparency.

[Texas Government Code, Section 660.007\(a\)](#) requires state agencies to minimize travel expenses they pay or reimburse and to ensure each travel arrangement is the most cost effective considering all relevant circumstances.

In addition, the agency's policy states:

- Employees may travel by personal vehicle if the distance is short or if no other arrangement can be made.
- A cost comparison of personal car versus rental car should be made to determine which is most cost effective.

Agencies must also examine all travel reimbursements before payment to comply with regulations and limitations. See [Textravel - General Travel Requirements - Responsibilities](#).

Recommendation/Requirement

The agency must ensure staff performs and documents cost comparisons for different travel methods (personally owned vehicles, rental vehicles, fleet vehicles, commercial airlines, etc.) before making travel arrangements. When a traveler chooses a more costly option, they must justify and document the choice with any contributing factors and indirect cost savings, receive preapproval, and include the justification and preapproval with the cost comparison. In all cases, the traveler should reference the comparison



and justification on the travel voucher and submit and maintain it with the travel documentation. See the [Rental Vehicle vs. Mileage Reimbursement Calculator](#) for cost comparison help.

If the agency's management determines that specific job titles, responsibilities or circumstances permit the use of a personal vehicle instead of a less expensive travel method, the policy could include exceptions for these situations.

Agency Response

Notification was sent to all division Travel Coordinators outlining the requirement of a cost comparison of rental vehicle vs. mileage reimbursement as supporting documentation reflecting that the most cost effective method of travel was used. Discussions with Expenditure Audit and Expenditure Assistance continue in order to refine the documentation process.

Delegation of Authority to Exceed Maximum Rates Not Documented

One travel reimbursement that exceeded the maximum lodging reimbursement rate was approved by an individual who did not have delegated authority from the agency head to make such approvals. According to the agency, the Accounts Payable/Travel Section manager, as the agency's travel coordinator, is the agency head's designee for approving increases to maximum lodging rates.

A state employee may only be reimbursed for actual lodging expenses not to exceed the maximum lodging reimbursement rate for each location, as provided by the General Services Administration (GSA) for travel in the contiguous United States. The agency head or designee of the agency head may determine that local conditions require an increase in the lodging rate for a particular location for both in-state and out-of-state travel. See [GAA, Article IX, Section 5.05\(a\)](#) and [Texttravel – Meals and Lodging – Lodging](#) – Lodging Reimbursements and Requesting a Higher Maximum Lodging Reimbursement Rate.

Recommendation/Requirement

The agency must ensure any reimbursement over the maximum lodging reimbursement rate is approved by the agency head or that person's designee before travel. All individuals who are designated by the agency head to approve these increases must be documented in an official delegation of authority.

Agency Response

The Area Manager of the Travel Section will be requesting delegation authority from the Deputy Comptroller to approve an increase over the maximum lodging rate, prior to travel. In the absence of the Area Manager, the Manager of Budget and Internal Accounting will serve as backup to approve increases prior to travel.



Unauthorized Use of State-Issued Travel Card

Auditors identified seven instances of employees using their state-issued travel card to purchase personal items not related to official state business travel. None of the seven were discovered or addressed by the agency's travel coordination staff. The agency stated that no state funds were reimbursed for these purchases and that the Travel Section will reiterate to agency staff that the state travel cards should not be used for personal purchases.

Per [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#), state agencies must cancel a state-issued travel credit card when the employee fails to pay the charges in a timely manner, uses the card for personal transactions, or misuses the card in any way.

Recommendation/Requirement

The agency must monitor state-issued travel card transactions to ensure they comply with applicable rules and requirements; the current state credit card administrator, Citibank, offers reports that can help agencies monitor employee travel card use.

Agency Response

The Travel Section will work with Citibank on a report that will assist the agency credit card administrator(s) in monitoring employee card use. Budget and Internal Accounting will reiterate to divisions, during yearly trainings, the prohibition of using state issued credit cards for personal use.

Targeted Analysis

The audit included a review of various special reports generated for the agency outside the transaction samples. Audit tests revealed exceptions in the following areas.

Loss to the Payment Card Rebate Program

The agency did not comply with early payment discount/rebate requirements for state agencies because it failed to take advantage of early discounts/payment rebates offered by the payment card vendor. The agency stated the current process was designed to ensure a vigorous auditing process to prevent the misuse of state funds and verify that any questionable, disputable and/or fraudulent charges are resolved before payment is made. The agency is reviewing and revising its business process to take advantage of future rebate offers.

In a report generated outside the payment card sample, auditors reviewed all Citibank (Citi) payments processed in USAS during the audit period as part of the payment card rebate program. Auditors identified late payments resulting in interest payments to the vendor and lost discounts/rebates to the state.



Citi Charge Card contract 946-M2 contains a rebate program based on the total annual expenditures of all participating entities. In addition to the rebate percentage, an early payment incentive increases for each day a payment is received in full before 30 days from Citi's statement/invoice date. Statements are issued on the third of every month and are available to the agencies the next day, the fourth. Both the prompt payment date and the discount rebate date start the day after the statement/invoice is available on Citi's website. Additionally, since charge-offs for delinquent accounts are deducted from the rebate as credit losses at the rebate-payable level, agencies should pay account balances as quickly as possible.

Citi pays a base rebate of 1.93 percent on payments received 30 days after the statement date, which increases by 0.75 basis points for each day a payment is processed before the 30-day point. At 31 or more days from the statement date, no rebate is paid. Rebates accrue from the first dollar of spend on all card products including Virtual Card and ePayables (excluding individual bill).

The agency did not take advantage of the rebates offered by Citi and paid the invoice an average of 42 days after the statement date. By not earning the rebates, agencies hinder the state's ability to negotiate rebates on future contracts.

According to [Texas Government Code, Section 2251.030](#), state agencies should take advantage of early payment discounts, so they should submit payment documents to the Comptroller's office in time to do so.

Recommendation/Requirement

The agency should change its payment processes to comply with requirements, take advantage of rebates, and avoid the double penalty of lost rebates and late interest payments. It should consider:

- Receiving the Citi Commercial Card account statements online. Online account statements are available 48 hours from the statement date.
- Working with Citibank to develop automated reconciliation for travel and purchase receipts as transactions occur or shortly after the statement is issued.
- Making partial payments based on supporting documentation received, and reconciling and paying as costs arise.

Agency Response

We established a revised monthly P-card recon process that allows CPA to take advantage of the Citibank rebate program. CPA is currently taking advantage of Citibank's rebate.



Incomplete Direct Deposit Authorization Forms

One of the special reports allowed auditors to review the agency's procedures for complying with the federal mandate to identify and handle payments involving the international transfer of funds. Of the 10 payees reviewed, audit tests revealed exceptions in two.

- One of the payees selected had a direct deposit form on file but did not answer the international payment verification question.
- Another payee's file included a letter supporting a change to the direct deposit information, but the letter did not include all of the information required by the Comptroller's office to support direct deposit setups, changes or cancellations, such as the sections for international payment verification and for authorization for setup, changes or cancellation (along with an authorized signature and date); these sections of the form provided by the Comptroller's office must be included without alteration.

Without properly completed forms on file, agencies are unable to indicate whether state funds will be forwarded to a financial institution outside the United States.

According to the agency, the staff unintentionally omitted the information, and has been instructed that it is necessary to complete all information on all forms submitted to the Comptroller's office.

The U.S. Department of the Treasury 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 transferred to financial institutions outside 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 that a payment is destined for a financial institution outside the United States, the agency may not set up that payee for direct deposit.

Recommendation/Requirement

The agency must ensure all payees requesting direct deposit payments submit a completed, signed Direct Deposit Authorization form with the international payment verification question answered. If the agency accepts a letter from the payee instead of the form, all sections of the form must be included in the letter without alteration of the language. If possible, the agency should request properly completed forms for the two errors noted.



Agency Response

An email was sent to CPA Payroll Policy noting that a direct deposit authorization form, 74-176, must be completed when vendors or recipients are receiving payments via direct deposit from CPA.

Accounts Payable procedures outline the required fields to be completed when processing a direct deposit form. Accounts Payable staff has been reminded to verify that all required fields are complete when processing a direct deposit form.

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 the 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.

Security

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

Internal Control Structure

The review of the agency's internal control structure was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed the following exception in user access.

Control Weakness Over Expenditure Processing

Auditors reviewed certain limitations the agency placed on its accounting staff's ability to process expenditures. Auditors reviewed the agency's security in USAS, the Texas Identification Number System (TINS) and voucher signature cards in effect on May 12, 2021. Auditors did not review or test any internal or compensating controls that the agency may have relating to USAS or TINS security or internal transaction approvals.

The agency had one employee with multiple incompatible security capabilities. The employee had security access to both enter/edit payment vouchers and payrolls in USAS and release/approve them. According to the agency, this occurred because the accounts payable team lead became the accounts payable manager when the former manager retired, and for a short time the former team lead had access to both roles. This issue was corrected during the audit.



Auditors ran a report to determine whether any of the agency's payment documents processed through USAS during the audit period because of the action of only one individual. The report did not identify any expenditures processed without oversight. Auditors also verified that no documents were released by unauthorized users during the audit period.

Recommendation/Requirement

To reduce risks to state funds, agencies must have controls over expenditure processing that separate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement. The agency should consider implementing the following recommendations:

- Limit user access to either enter/change voucher or release/approve batch. If the agency cannot separate the functions and/or does not have other internal mitigating controls in place, it should elect to have the document tracking control edit on the Agency Profile (DØ2) 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 agency must review the preventive and detective controls over expenditure processing discussed in [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.

- The agency should 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.

Agency Response

Current agency policy regarding agency security access has been reviewed with the agency's security coordinator. Policies and procedures are in place and have been verified in order to avert situations of dual security access that would allow employees to process transactions without another person's involvement.



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 agency's payroll, purchase and travel transactions that processed through USAS, SPRS and CAPPS from Sept. 1, 2019, through Aug. 31, 2020, to determine compliance with applicable state laws.

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

The audited agency and the post-payment auditors are under the same supervisory structure at the Texas Comptroller of Public Accounts.

Audit Team

Chris Taylor, CIA, CISA, Lead Auditor

Eunice Miranda, CTCD

Mayra Castillo, CTCD



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.