



Top 10 Audit Findings in Post-Payment Audits

2015–2018

**Accounting Policy Meeting
July 24, 2018**

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1) Lack of Controls Over Expenditure Processing



The issue

Due to a limited number of staff, state employees often have the security access to perform multiple tasks in the statewide financial systems such as entering and releasing payments through USAS without oversight, adjusting payments instructions in TINS, approving vouchers, and also picking up warrants from the Comptroller's office.



Proper procedure

State agencies should implement controls over expenditure processing and segregate each task as much as possible.

Agencies can strengthen internal controls and reduce risks to state funds by:

- Updating preventive controls in USAS on the Agency Profile (D02) for all transactions.
- Requesting the USAS Risky Document Report (DAFR9840) that lists activities for all users, including any documents that were entered or altered and then released by the same user.

Find out more

[*USAS Accounting and Payment Control \(FPP B.005\)*](#)

2) Procurement Process Not Utilized



The procurement process entails numerous policies and procedures to ensure equality among vendors, transparency of financial transactions, and best value to the State of Texas. A successfully executed procurement process requires that the following policies and procedures be exercised:

- a) Utilize Centralized Master Bidders List (CMBL) solicitations
- b) Utilize the System for Award Management (SAM)
- c) Post solicitations on the Electronic State Business Daily (ESBD)
- d) Employ Department of Information Resources (DIR) contract vendors or obtain required DIR waiver
- e) Utilize term contracts
- f) Follow bid and evaluation criteria
- g) Obtain Statewide Procurement Division (SPD) delegation purchase letters



The following paragraphs explain each policy or procedure and the most common audit findings related to the lack of utilization of the procurement process.

a) Missing Centralized Master Bidders List (CMBL) Solicitations

The issue

Sometimes state agencies do not maintain evidence that Centralized Master Bidders List (CMBL) vendors were contacted and do not maintain the bid tabulation that supports the contracted vendor selection as required. The CMBL is a database of registered vendors who have provided contact information and a list of the goods and services they offer. Vendors pay a nominal annual fee to receive notification of opportunities for solicited commodities and/or services through an invitation for bid, request for proposal, request for offer or request for qualifications.



Proper procedure

- Unless exempted by law, the CMBL must be used for all procurements subject to statewide procurement authority.
- The CMBL must also be used to gather information for non-competitive procurement processes.
- Agencies must print the awarded vendor's CMBL profile showing the expiration date for file documentation.
- Agencies must maintain proof that the CMBL was checked prior to any award or contract renewal being made.

Find out more

[Texas Government Code, Sections 2155.263 and 2155.264](#)

[Texas Administrative Code, Chapter 34, Section 20.107 \(b\)\(c\)](#)

See the ***Centralized Master Bidders List*** in the [*State of Texas Procurement and Contract Management Guide*](#)



b) Missing System for Award Management (SAM) Search Documentation

The issue

Agencies sometimes award contracts to vendors without verifying that the vendor is not listed on the System for Award Management (SAM) system. The SAM is the electronic database of the Lists of Parties Excluded from Federal Procurement and Non-Procurement Programs that identifies those vendors excluded throughout the U.S. government (unless otherwise noted) from receiving federal contracts or certain subcontracts and from certain types of federal financial and non-financial assistance and benefits.

As a result, contracts may be awarded to vendors who have been barred from contracting by the federal government.



Proper procedure

- Agencies must not award contracts to vendors who have been barred from contracting by the federal government.
- Agencies must conduct a SAM search seven days prior to any purchase, award or contract renewal.
- A copy of the SAM search results must be included in the contract file.

Find out more

[Texas Government Code, Section 2155.077](#)

[Texas Administrative Code, Chapter 34, Section 20.105\(d\)\(4\)](#)



c) **Missing Documentation of Posting on the Electronic State Business Daily (ESBD)**

The issue

State agencies are required to include proof or verification of a solicitation posting on the Electronic State Business Daily (ESBD) in the procurement file. Failure to post a qualifying purchase for the mandatory duration of time could void the contract.

Proper procedure

- The SPD requires each agency to post notices for all solicitations of \$25,000 or more on ESBD. State agencies are required to advertise a complete solicitation package (including all parts, exhibits and attachments) for a minimum of 14 days or 21 days for procurement where the entire solicitation package cannot be posted if it is lengthy or complex.



- The requirement to advertise solicitations by posting on the ESBD applies to all purchases exceeding \$25,000 regardless of source of funds. This requirement includes delegated purchases, emergency, construction projects, professional or consulting services, proprietary purchases or purchases exempt from SPD purchasing authority.

Find out more

[Texas Government Code, Section 2155.083](#)

[Texas Administrative Code, Chapter 34, Section 20.110](#)



d) Department of Information Resources (DIR) Contract Vendor Not Used/DIR Waiver Not Obtained

The issue

State agencies do not always verify if a commodity or service is available thru the Department of Information Resources (DIR) service contracts.

Sometimes, a state agency uses a DIR vendor, but does not verify whether it is receiving the DIR contract rates and terms.

If the commodity or service is not available thru the DIR service contracts, agencies do not always obtain the required DIR exemption.

Proper procedure

- State agencies are required to determine whether the IT commodity or service is available from a DIR contract.



- If a state agency uses a DIR vendor, the agency must verify that it receives the DIR contract rates and terms.
- If a DIR vendor is not available, either a DIR exemption or an exemption provided by the Legislative Budget Board must be obtained.

Find out more

Texas Government Code, Section 2157.068(i)



e) Failure to Use Term Contract

The issue

The Statewide Procurement Division (SPD) establishes term contracts for the purchase or lease of goods and services used in large quantities by several agencies. Best value is achieved by using SPD established term contracts. However, state agencies do not always review the existing term contracts to determine if an item exists on the term contracts before utilizing a different procurement method. The term contracts can be viewed online at [TxSmartBuy](#).

Proper procedure

- State agencies are required to utilize the established term contracts unless they fail to meet their needs.
 - In such case, the justification should be documented on the agency's purchase order and in the procurement file.
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Find out more

[Texas Administrative Code, Chapter 34, Section 20.220.](#)



f) Failure to Follow Bid and Evaluation Criteria

The issue

State agencies must provide documentation to demonstrate that they followed procurement procedures by obtaining bids from multiple vendors and conducting bid tabulations.

Not obtaining bids from multiple vendors increases the state agency's risk of paying more than necessary for services.

This could result in a more qualified vendor not being selected.

Proper procedure

- State agencies must include terms and conditions specific to the agency's solicitation, regardless of the type of solicitation document used.
- Agencies must use the open market informal solicitation method for all contracted services between \$5,000 and \$25,000.



- Open Market Formal Solicitation is used for agency-administered open market purchases of services greater than \$25,000 and for commodities if delegated by the Statewide Procurement Division (SPD) or through statutory authority specific to an agency.
- The bid or proposal solicitation document is the first official evidence to the vendor community that an ordering entity intends to procure a good or service. The solicitation document serves as the official instructions explaining the ordering entity's requirements and how the vendor(s) will be selected.

Find out more

[Texas Government Code 2155.062\(a\)\(3\)](#) and [2156.061](#)



g) Missing Statewide Procurement Division (SPD) Delegation Purchase Letter

The issue

Agencies do not always retain a delegation of purchase letter from SPD when SPD has delegated the authority to make a purchase to the agency.

Proper procedure

- For contracts greater than \$100,000, SPD has the discretion to make the procurement on behalf of the agency or allow the agency to make the procurement.
 - If SPD allows the agency to make the procurement, it will send a delegation of purchase letter to the agency.
 - The agency must maintain a copy of the delegation of purchase letter in the procurement file.
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Find out more

[Texas Government Code 2155.131](#)

3) Missing Prior State Service Forms/Incorrect Amount of Longevity Pay (Payroll)



The issue

Failure to verify prior state service when hiring employees could lead to incorrect longevity payments. When agencies fail to do proper verification, longevity payments are calculated incorrectly and eligible employees are underpaid for longevity pay.

Proper procedure

When hiring a new employee, agencies must:

- Determine eligibility for longevity pay by verifying the employee's prior state service.
- Ensure the monthly longevity payment amount to be paid to the employee is calculated correctly.

Find out more

[Texas Payroll/Personnel Resource – Longevity Pay](#)



4) Failure to Request Security Access Removal and Failure to Notify Comptroller to Remove Employee from Signature Card

The issue

State agencies often fail to notify the Comptroller's office of an employee's termination so that the employee's security access may be revoked in a timely manner. Any payments authorized electronically in USAS or approved paper vouchers after the employee's termination of employment would constitute an unapproved expenditure.

Proper procedure

Agencies must:

- Notify the Comptroller's office of a designated employee's termination no later than the *fifth day after the effective date of the termination* to prevent the employee from approving expedites after the employee's termination.



- Notify the Comptroller's office of a designated employee's authority revocation no later than the *effective date of the revocation of termination* to prevent the employee from executing electronic approvals after the employee's termination.
- Put procedures in place to regularly monitor user accounts and ensure a user's access privileges remain appropriate for that user's access needs.

Find out more

[Establishing and Removing Authority and Security to Approve Expenditures \(FPP B.007\)](#)

5) Lack of Conservation of State Funds (Travel)



The issue

Agencies often do not consider cost savings to the State when making travel arrangements. State employees often do not conduct a cost comparison to determine the most cost effective method to travel. This often results in additional travel expenses incurred by employees.

Proper procedure

Agencies must:

- Minimize the amount of travel expenses paid or reimbursed by the agency.
- Ensure each travel arrangement is the most cost-effective, considering all circumstances.
- Properly train employees on travel regulations to ensure compliance with all applicable regulations and limitations.



➤ Maintain the following travel documentation:

- ❖ Travel vouchers
- ❖ Receipts
- ❖ Other travel expense support documents

Find out more

[Textravel – Conservation of State Funds](#)

[Textravel – Agency and Employee Responsibilities](#)

6) Missing/Insufficient Supporting Documentation (Purchase & Travel)



The issue

Agencies often lack or have insufficient documentation for purchases and travel expenses. Without supporting documentation, a purchase or travel expense and the corresponding data entered into the Uniform Statewide Accounting System (USAS) cannot be validated.

Proper procedure

Agencies must maintain supporting documentation in their files to support the legality and fiscal responsibility of each payment that results from either a purchase or a travel expense.



Examples of required documentation include:

- Invoice
- Purchase order (PO)
- Contract (including supporting procurement documentation)
- Receiving report (for PO)
- Travel voucher
- Receipts
- Other travel expense supporting documents

Find out more

[Texas Administrative Code, Chapter 34, Section 5.51 \(e\)\(2\)-\(3\)](#)

7) Prompt Payment and Payment Scheduling Errors



The issue

Payments are often improperly scheduled for payment in USAS, which may result in either a late payment or an early payment. If it is a late payment, then the Comptroller's office must pay interest due under the prompt payment law on behalf of the agency. If the improperly scheduled payment results in an early payment, then the state treasury incurs a loss in interest.

Proper procedure

- State agencies should review their procedures to ensure that they submit payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities.



- In addition, state agencies must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors.
- To minimize the loss of earned interest to the state treasury, state agencies must schedule all payments that are greater than \$5,000 for the latest possible distribution in accordance with their purchasing agreements.

Find out more

[eXpendit – Prompt Payment](#)

[eXpendit – Payment Scheduling](#)

8) Purchase Order Created After Invoice Received



The issue

When a purchase order is created after receipt of the invoice it becomes difficult for the agency to ensure it was not overcharged or billed for goods or services beyond those the agency agreed to purchase.

Proper procedure

- Agencies must ensure that the documentation of the purchase agreement is created at the time the goods or services are ordered from the vendor.
 - Agencies should maintain supporting documentation that reflect a reasonable sequential order of transactional events and certify that the content of each document is meticulously verified and fully corresponds to prior agreements.
 - The purchase order must be referenced on all bills of lading, packing slips, back orders, invoices, and other transactional documents.
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Find out more

See ***Invoice Review and Payment*** in the [*State of Texas Procurement and Contract Management Guide*](#)

9) Incorrect Vacation Lump Sum Payment



The issue

Sometimes a terminated employee's lump sum payment for accrued vacation time is calculated incorrectly, resulting in an inaccurate payment to the employee.

Proper procedure

- The balance of the accrued vacation time must be completely allocated over the workdays following the effective date of the employee's separation from state employment.
 - Hours must be added for each state or national holiday that occurs during the period over which the time is allocated.
 - Agencies should review their controls and personnel records to ensure accuracy and completeness, as well as include quality control measures to detect and prevent incorrect compensation to a state employee.
 - Agencies should caution their employees to verify all totals submitted for compensation.
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Find out more

[Texas Government Code, Section 661.064](#)

10) Purchase Overpayment



The issue

Sometimes state agencies pay a greater amount than the authorized amount on the purchase order, resulting in an unauthorized payment.

Proper procedure

- A purchase order is a contract entered into by the state and a vendor. The state agency may only pay the contracted amount as shown on the purchase order.
 - If additional charges are not on the purchase order, the agency does not owe the charges and the charges should not be paid.
 - When a state agency and a vendor agree to a certain rate or quantity, unless the purchase order is properly amended by the vendor providing additional consideration, any amount above the rate or quantity may not be paid.
 - In addition, any amendments must be completed prior to the vendor providing goods or services.
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Find out more

See ***Invoice Review and Payment*** inside the [*State of Texas Procurement and Contract Management Guide*](#)

If You Need Assistance



- For regular day-to-day assistance, and especially when experiencing funding errors, [contact your ACO](#).
- For Audit assistance, contact Somaia.farag@cpa.texas.gov
- For financial reporting questions, [contact your financial reporting analyst](#).
- For specialized assistance when you just can't get a transaction to process:
 - ❖ Send an email to: usas.maintenance@cpa.texas.gov
Include in the email:
 - ❖ Agency number
 - ❖ Batch date
 - ❖ Batch number
 - ❖ Batch type