



POST PAYMENT AUDIT

Audit Report # 2011-005

By:

The Office of Injured Employee Counsel

INTERNAL AUDIT DIVISION

MAY 26, 2011

Table of Contents

I.	Internal Audit Report	1
II.	Scope and Methodology	1
III.	Overall Conclusion	2
IV.	Detailed Issues and Management Response	3
V.	Issue 1 – Use of Least Cost Worksheet	3
VI.	Issue 2 – Purchase of Pre-paid Fuel Cards	3

The Office of Injured Employee Counsel (OIEC) was established March 1, 2006 as a result of House Bill 7 during the 79th Texas Legislature, Regular Session, 2005. House Bill 7 abolished the Texas Workers' Compensation Commission (TWCC) and established the Division of Workers' Compensation (DWC) as a division within the Texas Department of Insurance (TDI). House Bill 7 also preserved and moved TWCC's Ombudsman Program to OIEC.

OIEC's mission is to assist, educate, and advocate on behalf of the injured employees of Texas. OIEC fulfills its mission through its Ombudsman Program and Customer Service Program.

OIEC is administratively attached to TDI. A "Roles and Responsibilities" document establishes administrative assistance and services, including those related to purchases, payroll, and travel expenditures, to be provided by TDI in accordance with Section 404.002 (c) of the Texas Labor Code. OIEC also employs an Operations Analyst and a Staff Services Officer who assist with these functions.

The purpose of this audit was to examine the agency's general and travel expenditures during fiscal year (FY) 2010. Previously, these types of expenditures were audited and reported on in "Post Payment Audit of Office of Injured Employee Counsel," a report issued by the Texas Comptroller of Public Accounts, Fiscal Management Claims Division, Expenditure Assistance and Audit Section, on November 30, 2007, and in OIEC's internal audit follow-up report issued November 23, 2009. The current audit also was conducted to determine whether policies, procedures, and directives are being followed and whether these procedures adequately reflect management's needs and requirements.

Scope and Methodology

The initial scope of this review included testing two samples of the agency's expenditures. One sample was from general expenditures and the other sample was from travel expenditures. Payroll and personnel expenditures and functions were not included in this review.

The review covered the period from September 1, 2009 through August 31, 2010.

Travel expenditures were reviewed for compliance with the General Appropriations Act (GAA), the State of Texas Travel Allowance Guide, the Travel Regulations Act, and OIEC's Travel Procedure Number 08-05.

Other purchase expenditures were reviewed for compliance with the GAA, the State of Texas Purchase Policies and Procedures Guide (Purchase Guide), and Uniform Statewide Accounting System processing requirements.

For the period audited, there were a total of 1,469 travel expenditures. A sample of 212 travel expenditures was selected for detailed testing. Also during this period, there were a total of 176 general purchase requisitions initiated by the agency. A sample of 78 general purchase requisitions was selected for detailed testing. Details of both samples were provided to TDI along with a request for copies of documentation supporting these expenditures, which are retained by TDI's Accounting Department.

This project was conducted in accordance with generally accepted government auditing standards and the *Standards for the Professional Practice of Internal Auditing* as set forth by the Institute of Internal Auditors (IIA).

Overall Conclusion

Current administrative procedures for travel expenditures incurred by OIEC seemed adequate to assure management that their needs and requirements are being met. However, the controls assuring compliance with existing policies and procedures for the reimbursement of personal automobile mileage were not functioning as designed, and the error rate for reimbursement of these types of travel expenditures seemed excessive. There were four errors, totaling \$473.81 in over-reimbursements, noted in the test of individual travel expenditures. These over-reimbursements were the difference between the amounts reimbursed for personal automobile mileage and the estimated cost of a rental car plus gasoline (as required by page 7, Least Cost Worksheet provisions of OIEC Travel Procedure ADMIN 08-05). They represented 2.4 percent of the number of travel expenditures tested and 1.7 percent of the travel expenditure dollar amounts tested. These exceptions were significantly lower than the error rates noted in the previous review by OIEC's internal auditor

Following the review, OIEC management made slight revisions to Travel Procedure ADMIN 08-05. These revisions provide that the cost comparison between travel in a personal vehicle to that of a car rental plus estimated gasoline is to include the estimated salary cost of the traveler for the time taken to acquire and return the rental car. If these provisions had been in effect during the period of this review, there would have been only two over-reimbursements totaling \$9.15.

In one other exception, a staff member was reimbursed for a pre-paid fuel card for \$65.00 to refuel a rental car. This was purchased in San Antonio, Texas during the OIEC Annual Conference. The amount does not seem excessive when compared to estimated fuel costs for a round trip from Fort Worth, Texas.

The amounts of these over-reimbursements were refunded to the Comptroller's Office after the discussion of the draft report of these findings.

Administrative procedures for purchase expenditures processed by the Operations Analyst and the staff of TDI are adequate to assure management that the requirements

of the State of Texas Purchase Policies and Procedures Guide and USAS processing requirements are being met. There were two findings of documentation errors noted during the testing of these purchase expenditures. In these two instances the Accounting Department at TDI was not able to retrieve and provide supporting documentation for the expenditures.

Management agreed with the findings and recommendations in this audit and has developed a plan for corrective actions.

DETAILED ISSUES AND MANAGEMENT RESPONSES

Issue 1 – Overpayments of Travel Expenditures

In completing the agency's Travel Request Form, staff should use the least cost worksheet to compare reimbursement for use of a personal vehicle with the estimated cost of a rental car plus gasoline and the cost of time attributable to acquiring and returning the rental car. For instances in which the reimbursement for use of a personal vehicle is greater, only the estimated total cost of the rental car should be reimbursed.

Management Response

Management agrees with this recommendation and will increase staff training on the agency's travel requirements. Thank you for the recommendation and the agency will continue to strive for excellence.

Issue 2 – Use of Pre-paid Fuel Cards

Staff should be advised that the use of pre-paid fuel cards for rental cars is not an acceptable practice. Reimbursements for rental car fuel will be based on actual fuel purchase receipts only.

Management Response

Thank you for this helpful recommendation. The agency's management and travel liaisons have been informed of this finding and understand reimbursements will not be made for pre-paid fuel cards. Written guidance will be provided to all agency employees and the agency's travel procedure amended appropriately.