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State Auditor

An Audit Report on

The Office of Injured Employee Counsel

March 2015
Report No. 15-027

Overall Conclusion

The Office of Injured Employee Counsel (Office) generally has processes to help ensure that it uses state funds and other assets in accordance with applicable statutes, rules, and Office policies and procedures. However, it should (1) consistently follow its policies and procedures for expenditures and (2) improve controls over certain types of expenditures and the documentation of its hiring process.

Office expenditures for fiscal years 2011 through 2014 totaled \$40,028,624. The Office spent \$37,655,956 (94.1 percent) of that amount on payroll and the remaining \$2,372,668 (5.9 percent) on travel and other expenditures. The Office is administratively attached to the Department of Insurance. As a result, the Department of Insurance provides the Office with administrative support, including the processing of payroll, travel, and other expenditures.

The Office paid \$17,226 for out-of-state travel to training and conferences when comparable training and conferences were available in Texas. In addition, auditors identified \$2,346 in Office out-of-state travel expenditures that were not allowable under state requirements; that occurred because of control weaknesses at the Office. The Office also made at least \$15,627 in other expenditures that were not in direct support of its statutory duties and responsibilities.

Auditors tested the Office's expenditures and determined the following:

- **Payroll expenditures.** Results of audit testing of the Office's payroll expenditures indicated that the Office's and the Department of Insurance's controls helped to ensure compliance with statutes, rules, and Office policies and procedures.
- **Travel expenditures.** A lack of oversight by former executive management and management override of certain controls contributed to weaknesses in the processing and payment of travel expenditures. For example, as discussed

Background Information

The Legislature established the Office of Injured Employee Counsel (Office) in 2006 to advocate for injured employees in Texas. According to the Office and the Department of Insurance, the Office:

- Educates and provides general assistance to injured employees regarding the workers' compensation system.
- Provides an ombudsman to assist injured employees through the dispute process.
- Refers injured employees' complaints to the appropriate entities and licensing boards.
- Refers injured employees to other local, state, and federal agencies, including the Department of Assistive and Rehabilitative Services, as appropriate.

Texas Labor Code, Chapter 404, specifies that the Office is administratively attached to the Department of Insurance to provide the Office with administrative assistance/services, personnel services, and computer equipment and support.

The Office was appropriated \$8.2 million (from General Revenue Dedicated-Texas Department of Insurance Operating Fund Account No. 036) and 175 full-time equivalent employees for fiscal year 2014.

above, the Office paid \$17,226 for out-of-state travel to training and conferences when comparable training and conferences were available in Texas and \$2,346 for unallowable out-of-state travel expenditures. In addition, auditors were unable to determine whether amounts the Office reimbursed former executive management for meals were based on actual expenses or included unallowable items because the Office did not consistently require its former executive management to report actual meal expenses on their travel vouchers. See Appendix 2 for additional details on out-of-state travel expenditures.

- **Other expenditures.** For most other expenditures it made, the Office had proper support for and calculated those expenditures accurately. However, a lack of oversight and management override of certain controls contributed to weaknesses in the processing of and payment for certain Office purchases. Specifically, the Office spent at least \$15,627 in state funds for items (such as \$3,000 for wellness training) that were not in direct support of the Office's statutory duties and responsibilities.

In addition, in May 2014, the Office attempted to process \$24,500 in advance tuition payments for the former deputy public counsel to attend the Executive Master in Public Leadership Program at the University of Texas at Austin. However, the Department of Insurance did not process the associated payments because that would have violated the Office's policy.

During this audit, auditors also referred indications of potential fraud to the State Auditor's Office's Special Investigations Unit for further investigation.

On October 31, 2014, a new public counsel was appointed to oversee the Office.

Auditors also communicated other, less significant issues related to travel and purchase voucher documentation to the Office in writing.

Summary of Management's Response

The Office agreed with the recommendations in this report.

Summary of Information Technology Review

Auditors tested key automated controls in the Department of Insurance's Automated Leave Accounting System (ALAS). The Office and the Department of Insurance use that system to record and report leave taken, compensatory time earned, and overtime worked to the Office of the Comptroller of Public Accounts' Uniform Statewide Payroll/Personnel System (USPS). Based on the results of audit testing, the automated controls were adequately designed and operating as intended to report accurate leave information to USPS.

Auditors also relied on previous State Auditor's Office audit work on the Department of Insurance's internal accounting system (the Centralized Accounting and Payroll/Personnel System or CAPPS).

Summary of Objective, Scope, and Methodology

The objective of this audit was to determine whether the Office has processes and related controls to help ensure that it uses state funds and other assets in accordance with applicable statutes, rules, and Office policies and procedures.

The scope of this audit covered the Office's financial activities between September 1, 2010, and August 31, 2014. The scope also covered administrative services that the Department of Insurance provided to the Office.

The audit methodology included gaining an understanding of the Office's financial processes; collecting and reviewing financial information related to expenditures; reviewing policies and procedures; conducting interviews with Office staff and Department of Insurance staff; reviewing statutes, rules, and Office of the Comptroller of Public Accounts requirements; and performing selected tests and other procedures.

Auditors verified the completeness of Office expenditure data by comparing information in CAPPS to expenditure information in the Uniform Statewide Accounting System (USAS) and payroll information in USPS. Auditors determined that expenditure and payroll data was sufficiently reliable for the purposes of this audit.

Auditors also assessed the reliability of leave data in ALAS by testing controls related to the accuracy of the data in that system and controls for uploading data from ALAS to USPS. Auditors determined that leave data in ALAS was sufficiently reliable for the purposes of this audit.

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Detailed Results

Chapter 1

The Office and the Department of Insurance Have Controls for Payroll, But the Office Should Improve the Documentation of Its Hiring Process and Formalize Its Roles and Responsibilities with the Department of Insurance

The Office of Injured Employee Counsel (Office) made a total of \$40,028,624 in expenditures in fiscal years 2011 through 2014. Payroll expenditures represented \$37,655,956 (94.1 percent) of that amount. The Office and the Department of Insurance¹ have controls over payroll expenditures and procedures for merit increases. However, the Office should improve the documentation of its hiring process.

In addition, the Office complied with General Appropriations Act requirements related to budget transfers and expenditures in the last quarter of a fiscal year. However, the Office and the Department of Insurance should formalize their roles and responsibilities for key financial processes.

The Office and the Department of Insurance have controls for payroll expenditures.

Auditors tested 29 randomly selected Office payroll expenditures totaling \$105,133 for fiscal years 2011 through 2014 and determined that the Office made all payments accurately, made payments to actual employees, and obtained required approvals from Office and Department of Insurance staff. Auditors were unable to confirm whether employees worked their scheduled hours because the Office and the Department of Insurance do not require employees to maintain time sheets or report actual time worked; instead, employees report only the leave that they take.

In addition, auditors tested key automated controls in the Department of Insurance's Automated Leave Accounting System (ALAS). The Office and the Department of Insurance use that system to record and report leave taken, compensatory time earned, and overtime worked to the Office of the Comptroller of Public Accounts' Uniform Statewide Payroll/Personnel System (USPS). Based on the results of audit testing, the automated controls were adequately designed and operating as intended to report accurate leave information to USPS. Additionally, ALAS had controls that required employees to use leave without pay if they attempted to use more leave than they had earned.

¹ Texas Labor Code, Chapter 404, specifies that the Office is administratively attached to the Department of Insurance to provide the Office with administrative assistance/services, personnel services, and computer equipment and support.

The Office awarded merit increases to its employees in accordance with applicable rules and its policies and procedures. It did not award any salary merit increases in fiscal years 2013 and 2014.

For fiscal years 2011 through 2014, the Office awarded merit payments to its employees primarily through the use of one-time merit increases. Specifically, the Office awarded its staff 310 one-time merit increases totaling \$904,500 in fiscal years 2011 through 2014, and it awarded 23 salary merit increases totaling \$82,990 in fiscal years 2011 and 2012. The Office did not award any salary merit increases to staff in fiscal years 2013 and 2014.

The Office followed applicable rules and its policies and procedures when it awarded merit increases to employees. Auditors tested 28 randomly selected merit increases totaling \$47,735 and 9 judgmentally selected merit increases totaling \$28,058 for fiscal years 2011 through 2014. The merit increases tested were allowable, the Office had adequate documentation to support those merit increases, and the Office generally obtained the required approvals for those merit increases.

The Office did not consistently document that job applicants met education and/or experience requirements.

Auditors tested information for 11 employees the Office hired in fiscal years 2013 and 2014 and determined that the Office obtained the required approvals to hire those employees and that it scored applications and interviews correctly. However, the Office did not consistently document that it verified whether those 11 employees met education and/or experience requirements when they applied for their positions. Specifically:

- The Office did not document that it had verified whether seven ombudsman associates met the requirement to have a four-year college degree.
- The Office did not document that it had verified whether four customer service representatives met the requirement to have a high school diploma or the equivalent.

In addition, for 6 (54.5 percent) of the 11 employees tested, the Office did not comply with its policy to verify employment with an additional prior employer if an applicant was at his or her previous job for fewer than five years. However, the Office verified the most recent employment for all 11 employees tested.

As a result of the Office's lack of documentation, auditors were unable to determine whether the employees hired met all of the minimum job requirements for their positions.

The Office complied with selected General Appropriations Act requirements related to budget transfers and expenditures in the last quarter.

The Office complied with selected General Appropriations Act requirements related to budget transfers and expenditures in the last quarter. Specifically:

- **Budget Transfers:** For fiscal years 2011 through 2014, the Office complied with appropriation transfer limits specified in Section 14.01 of the General Appropriations Act (see text box for additional details). The Office did not make any appropriation transfers that exceeded the 20 percent limit.
- **Last Quarter Expenditures:** For fiscal years 2011 through 2014, the Office complied with requirements regarding last quarter expenditures specified in Section 6.06 of the General Appropriations Act (see text box for additional details). The Office spent less than one-third of its appropriated funds in the last quarter of each of those fiscal years.

The Office and the Department of Insurance have not formalized their roles and responsibilities related to key financial processes.

The Office's key financial processes that auditors reviewed (purchasing, travel, and payroll) generally aligned with (1) an informal roles and responsibilities document between the Office and the Department of Insurance and (2) Texas Labor Code, Chapter 404. However, the roles and responsibilities document has not been formalized to clearly define each agency's respective roles in key financial processes.

In 2013, the Office and the Department of Insurance's Division of Workers' Compensation updated a memorandum of understanding regarding the staff and facilities the Department of Insurance would provide to the Office. However, that document did not address the functions the Department of Insurance would perform. Having a formal agreement would provide both Office and Department of Insurance employees a better understanding of each agency's roles and responsibilities in key financial processes.

**Excerpts from
the General Appropriations Act
(83rd Legislature)**

Page IX-53, Section 14.01 - Appropriation Transfers: Subject to any specific restriction in another provision of this Act, an appropriation contained in this Act may be transferred from one appropriation item to another appropriation item in an amount not to exceed 20 percent of the appropriation item from which the transfer is made for the fiscal year, at the discretion of the chief administrative officer of the state agency.

Page IX-26, Section 6.06 - Last Quarter Expenditures: A state agency or other governmental unit using funds appropriated by this Act may not expend during the last quarter of a fiscal year more than one-third of the funds appropriated for that fiscal year.

Recommendations

The Office should:

- Consistently document its verification of all education and experience requirements for all job applicants.
- Work with the Department of Insurance to formalize and document each agency's roles and responsibilities in performing key financial processes.

Management's Response

Recommendation: *Consistently document its verification of all education and experience requirements for all job applicants.*

Management response: *Concur. OIEC's Staff Services Officer and Public Counsel met with representatives from the Texas Department of Insurance (TDI) Human Resources and will begin implementing procedures to ensure that verifications of education and experience requirements are completed for the selected job applicant. OIEC will also be modifying the current policy to require verification commensurate with posted job requirements.*

Anticipated completion date: *April 2015.*

Recommendation: *Work with the Department of Insurance to formalize and document each agency's roles and responsibilities in performing key financial processes.*

Management Response: *Concur. OIEC looks forward to working with TDI to produce a document that clearly outlines the roles and responsibilities borne by each agency. The Public Counsel will execute a document with leadership at TDI.*

Anticipated Completion date: *1st Quarter of FY 2016.*

Lack of Oversight and Override of Controls by Two Former Members of the Office's Executive Management Resulted in Inappropriate Use of State Funds for Certain Expenditures

The Office made \$2,372,668 in travel-related and other non-payroll expenditures in fiscal years 2011 through 2014. Lack of oversight by former executive management and management override of controls resulted in the payment of certain travel expenditures and other non-payroll expenditures that were unsupported, unallowable, and/or not in direct support of the Office's statutory duties and responsibilities.

In addition, the former public counsel approved advance tuition payments for the former deputy public counsel that did not comply with the Office's policy; however, the Department of Insurance did not process the associated payments.

Lack of oversight resulted in inappropriate out-of-state travel expenditures by former executive management.

Auditors tested all of the Office's 21 out-of-state trips totaling \$50,706 from fiscal years 2011 through 2014. Twenty of those 21 out-of-state trips were for travel by the Office's former deputy public counsel and/or former governmental relations specialist (see Appendix 2 for additional details on out-of-state travel and associated expenditures).

Executive management did not provide effective oversight of out-of-state travel, which resulted in reimbursements of unallowable expenditures, lack of documentation to support actual costs incurred for the travel, and out-of-state trips that occurred when in-state alternatives were available. It is important to note that the Office has a limited budget for non-payroll expenditures.

The former public counsel or the former deputy public counsel approved the travel vouchers for each of the 21 out-of-state trips. Auditors identified the following issues that occurred as a result of a lack of effective oversight of out-of-state travel:

- The Office reimbursed former executive management for expenditures totaling \$17,226 for out-of-state travel to training and conferences when comparable training and conferences were available in Texas. For example, in June 2012 the Office's former executive management attended a grantsmanship training program in Seattle, Washington at a cost of \$4,811. That same training was offered in Waco, Texas in August 2012. In addition, the Office asserted that it did not apply for any grants after those individuals attended the training.
- The Office paid \$2,346 for out-of-state travel costs that were not allowable under state requirements. Management received reimbursements for items

associated with personal use, and reimbursements that exceeded the state and federal limits for meals. For example, the former deputy public counsel received a \$616 reimbursement for lodging, meals, and transportation costs that were associated with a personal trip to Santa Fe, New Mexico that occurred between site visits to the Office's field offices in Amarillo and El Paso. In addition, on a separate trip, the former deputy public counsel charged \$251 per day for meals during travel to Newport, Rhode Island when the maximum allowable charge for meals in that location was \$142 per day.

- Auditors were unable to determine whether amounts the Office reimbursed former executive management for meals were based on actual expenses or included unallowable items because the Office did not consistently require its former executive management to report actual meal expenses on their travel vouchers. On most travel vouchers, the former executive management recorded the maximum meal reimbursement allowed by state and federal guidelines, rather than recording their actual meal expenses as required by the General Appropriations Act.
- The Office allowed executive management to use the same rental cars for both (1) personal business and (2) to attend out-of-state conferences and training. However, personal use of rental vehicles was prohibited under the state contract the Office used for the rental cars. In addition, under that arrangement, there is a risk that an employee will not reimburse the Office for personal use of rental cars.

The Office generally had appropriate controls for in-state and non-overnight travel expenditures.

Auditors tested in-state and non-overnight travel vouchers totaling \$27,112 from fiscal years 2011 through 2014. The Office generally had support, obtained the required approvals, and had a documented business reason for those travel expenditures. However, it did not consistently follow its policy to (1) complete travel requests for all travel, (2) receive the best value for travel performed, or (3) retain support for all travel-related expenditures. Specifically:

- **In-state, overnight travel:** The Office had documentation showing the business need and required approvals for all 59 randomly selected, in-state, overnight travel vouchers tested. Those travel vouchers totaled \$12,054, and the Office had supporting documentation for the majority of those travel vouchers.
- **In-state, non-overnight travel:** The Office had documentation to support all 25 judgmentally selected, in-state, non-overnight travel vouchers tested, and it documented a business need for that travel. Those travel vouchers totaled \$573. However, for two of those travel vouchers, the Office did not have required approvals and employees did not complete least cost

worksheets (a least cost worksheet shows that the employee used the transportation option with the lowest cost).

- **Other in-state travel:** The Office had documentation to support eight additional, judgmentally selected, in-state travel vouchers tested. Those vouchers totaled \$14,486. With the exception of one travel voucher, the Office calculated those travel vouchers accurately.²

Override of certain controls by the former deputy public counsel resulted in the Office making other non-payroll, non-travel expenditures that did not directly support the Office’s statutory duties and responsibilities.

For most other expenditures that auditors tested totaling \$104,372, the Office had proper support for those expenditures and calculated them accurately. However, a lack of oversight and override of certain controls by the former deputy public counsel contributed to weaknesses in the processing and payment of other expenditures that executive management made. Specifically:

- The former deputy public counsel approved the expenditure of at least \$15,627 in state funds for items the Office asserted were for employee morale or promotional items for outreach efforts (see Table 1 for additional details). Those expenditures were not in direct support of the Office’s statutory duties and responsibilities.

Table 1

Purchases the Former Deputy Public Counsel Approved That Were Not in Direct Support of the Office’s Statutory Duties and Responsibilities			
Item	Description	Auditor Comments	Cost
Art Work	Purchased art work for the Office.	The former deputy public counsel purchased art work for that individual’s office.	\$ 934
Promotional Items	Purchased stress balls for outreach events.	The Office did not have documentation to support how the purchase benefited the Office.	2,000
Gifts	Purchased items such as Polo shirts, photo frames, coolers, and mugs for Office staff at the Office’s annual conferences.	The Office did not have documentation to support how the purchase benefited the Office.	9,070
One-on-One Wellness Training	Paid for a six-hour consultation with the former deputy public counsel to develop a wellness program for the Office.	The Office did not have documentation to support how the purchase benefited the Office.	3,000
Greeting Cards	Purchased greeting cards.	The Office did not have documentation to support how the purchase benefited the Office.	373
Membership Fees	Paid membership fees for the former deputy public counsel’s membership in the alumni association for Leadership Austin.	The Office did not have documentation to support how the purchase benefited the Office.	250
Total			\$15,627

Source: Auditor review of Office purchase documentation.

² One of the travel vouchers for the former governmental relations specialist exceeded the allowable rate for meal expenses; in that case, the employee spread the costs for meals over two days to receive the full reimbursement for the meal expenses.

- Auditors were initially unable to locate two framed prints the Office purchased for the former deputy public counsel's office. The former deputy public counsel later returned one of the framed prints and reimbursed the Office for the cost of the other print. However, the deputy public counsel did not reimburse the Office \$138 for the cost of the remaining frame.
- The Office coded 8 (31 percent) of 26 judgmentally selected expenditures to the incorrect program area; those 8 expenditures totaled \$15,129. The Office also coded 5 (9 percent) of 58 randomly selected expenditures to the incorrect program area; those 5 expenditures totaled \$1,091. The Office had established four codes based on the program area: ombudsman, customer service, legal services, and administration and operations. However, the Office asserted that it routinely coded items to the incorrect program area based on the availability of funds for each program area. Charging expenditures to the incorrect program areas could affect the Office's ability to effectively plan and budget for program costs.

The former public counsel approved advance tuition payments for the former deputy public counsel that did not comply with the Office's policy; however, the Department of Insurance did not process the associated payments.

In May 2014, the Office attempted to process \$24,500 in advance tuition payments for the former deputy public counsel to attend the Executive Master in Public Leadership Program at the University of Texas at Austin. However, the Department of Insurance did not process the associated payments because that would have violated the Office's policy.

The Office and the Department of Insurance asserted that the former deputy public counsel then updated the Office's policy, without following the Office's procedures, to include a clause that would allow the public counsel to waive any portion of the Office's policy. However, the Department of Insurance declined to process the associated payment until a new public counsel was appointed.

Recommendations

The Office should:

- Train all employees on state travel requirements, including requirements for employees to document actual expenses.
- Determine the best use of state resources and document the business need for all expenditures prior to spending state funds.
- Review all expenditures, including detailed support, for allowability, business need, and proper coding.

- Consistently follow its procedures for updating its policies.

Management's Response

Recommendation: *Train all employees on state travel requirements, including requirements for employees to document actual expenses.*

Management Response: *Concur. OIEC appointed a single point of contact for all agency travel. The Travel Liaison has completed multiple trainings with TDI staff, as well as trainings with the Comptroller's office. The Travel Liaison is responsible for booking all flights taken by agency staff and ensures that travel requests and vouchers are completed according to documented procedures. OIEC Supervisors and the Public Counsel approve all travel requests to ensure compliance and business need. Travel procedures were modified in January 2015 to mirror TDI's travel policies. Travel training was administered to all employees via teleconference and power point in February 2015. They will receive additional training at the 2015 Ombudsman conference in August 2015.*

Anticipated completion date: *August 2015.*

Recommendation: *Determine the best use of state resources and document the business need for all expenditures prior to spending state funds.*

Management response: *Concur. Written procedures require that all purchases have a business need clearly identified in the purchase request. All purchases identified in the detailed audit findings were approved by the former Deputy Public Counsel whose employment was terminated November 19, 2014. Policies were modified on the first day of the Public Counsel's employment to reflect that the Public Counsel and not the Deputy Public Counsel, must approve all expenditures. This oversight ensures that state funds are being used appropriately for OIEC business needs.*

Anticipated completion date: *Complete.*

Recommendation: *Review all expenditures, including detailed support, for allowability, business need, and proper coding.*

Management response: *Concur. As mentioned above, written procedures require that all purchases have a business need clearly identified in the purchase request. Policies were modified on the first day of the Public Counsel's employment to reflect that the Public Counsel, and not the Deputy Public Counsel must approve all expenditures. This oversight ensures that state funds are being used appropriately for OIEC business needs. The coding issue was brought to our attention in December 2014 during an initial findings meeting with your office. Immediately, OIEC staff modified their method of coding to ensure expenditures were charged to the appropriate*

program area. OIEC purchasing and budget staff will receive additional training from TDI with respect to coding.

Anticipated completion date: April 2015.

Recommendation: Consistently follow its procedures for updating its policies.

Management response: Concur. OIEC has a committee of employees who are tasked with modifying written policies and procedures. They most recently met in February 2015 to review all existing policies and procedures and have identified necessary changes. The employee manual and written procedures are in the process of being updated to reflect those changes with an anticipated completion date of the end of FY 2015. They will continue to meet as needed at the direction of the Public Counsel. This will be the sole means for substantively modifying OIEC's policies and procedures.

Anticipated completion date: August 31, 2015.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Office of Injured Employee Counsel (Office) has processes and related controls to help ensure that it uses state funds and other assets in accordance with applicable statutes, rules, and Office policies and procedures.

Scope

The scope of this audit covered the Office's financial activities between September 1, 2010, and August 31, 2014. The scope also covered administrative services that the Department of Insurance provided to the Office.

Methodology

The audit methodology included gaining an understanding of the Office's financial processes; collecting and reviewing financial information related to expenditures; reviewing policies and procedures; conducting interviews with Office staff and Department of Insurance staff; reviewing statutes, rules, and Office of the Comptroller of Public Accounts requirements; and performing selected tests and other procedures.

Data Reliability and Completeness

Auditors verified the completeness of Office expenditure data by comparing information in the Department of Insurance's internal accounting system (the Centralized Accounting and Payroll/Personnel System or CAPPs) to expenditure information in the Uniform Statewide Accounting System (USAS) and payroll information in the Uniform Statewide Payroll/Personnel System (USPS). Auditors also relied on previous State Auditor's Office audit work on CAPPs. Auditors determined that expenditure and payroll data was sufficiently reliable for the purposes of this audit.

Auditors also assessed the reliability of leave data in the Automated Leave Accounting System (ALAS) by testing controls related to the accuracy of the data in that system and controls for uploading data from ALAS to USPS. Auditors determined that leave data in ALAS was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors used random sampling to select statistical samples of expenditures and payroll actions for testing. The expenditures tested included salaries; non-travel, non-payroll purchases; and in-state travel. Those samples were designed to be representative of the population. In addition, auditors selected a random, non-statistical sample of employees hired in fiscal years 2013 and 2014 for testing of the hiring process. The sample of employees hired was designed to be representative of the population. In the auditors' judgment, the results of those samples are reasonably indicative of the results in the related populations.

Auditors also used professional judgment to select additional high-risk expenditures for testing. Those expenditures included non-travel, non-payroll purchases; pay actions; in-state travel expenditures; and non-overnight travel expenditures. Those sample items were generally not representative of the population and, therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- Office policies and procedures.
- Memorandums of understanding between the Office and the Department of Insurance.
- Office expenditure data in CAPPs and USAS.
- Invoices and supporting documentation for Office expenditures.
- Emails and other documentation that supported information that Office employees provided during interviews.
- Office personnel files and supporting documentation.
- List of Office employees hired in fiscal years 2013 and 2014.
- Hiring packets for Office job postings in fiscal years 2013 and 2014.
- USPS leave summaries and payroll data for Office employees.
- Office employee leave reports from ALAS.

Procedures and tests conducted included the following:

- Interviewed employees at the Office and the Department of Insurance.
- Reviewed memorandums of understanding and an informal roles and responsibilities document between the Office and the Department of Insurance to determine whether they aligned with the Texas Labor Code.

- Tested a sample of Office salary expenditures and employee pay actions for appropriate documentation and required approvals.
- Tested a sample of Office employees hired in fiscal years 2013 and 2014 for compliance with hiring laws, rules, and Office policies and procedures.
- Tested samples of Office in-state travel; non-overnight travel; and non-payroll, non-travel expenditures for appropriate documentation and required approvals.
- Tested all Office out-of-state travel expenditures for compliance with laws, rules, and Office policies and procedures and for appropriate documentation and required approvals.
- Analyzed Office budget transfers to verify compliance with appropriation transfer limits in the General Appropriations Acts for fiscal years 2011 through 2014.
- Tested key automated controls over ALAS to determine whether those controls were operating effectively.
- Observed the batch process for uploading leave records from ALAS to USPS to verify that data was uploaded appropriately.

Criteria used included the following:

- Texas Labor Code, Chapter 404.
- Texas Government Code, Chapters 656, 659, 660, and 661.
- Title 28, Texas Administrative Code, Chapter 276.
- General Appropriations Act (81st, 82nd, and 83rd Legislatures).
- *State of Texas Procurement Manual*, 2012.
- State purchasing policies on the Office of the Comptroller of Public Accounts' eXpendit Web site.
- Office of the Comptroller of Public Accounts' travel policies.
- Office of the Comptroller of Public Accounts' manual of accounts.
- Office policies and procedures.

Project Information

Audit fieldwork was conducted from September 2014 through February 2015. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and

perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Jennifer Wiederhold, CGAP (Project Manager)
- Stacey Williams, CGAP (Assistant Project Manager)
- Nathan Beavers
- Jennifer Bloodworth, Senior Investigator
- Kathy-Ann Moe
- Valentine A. Reddic, MBA
- Shelby Rounsaville
- Tammie Wells, MBA
- Michael C. Apperley, CPA (Quality Control Reviewer)
- Audrey O'Neill, CIA, CFE, CGAP (Audit Manager)

Office Out-of-state Travel Expenditures for Fiscal Years 2011 to 2014

The Office of Injured Employee Counsel (Office) spent \$50,706 on out-of-state travel from fiscal year 2011 to fiscal year 2014. Table 2 summarizes that travel and the errors that auditors identified in the Office's reimbursement of the employee costs associated with that travel. With one exception noted in Table 2, the former deputy public counsel and/or the former government relations specialist conducted the out-of-state travel.

Table 2

Office Out-of-state Travel Expenditures for Fiscal Years 2011 to 2014						
Dates of Travel	Destination	Purpose	Errors Auditors Identified in the Office's Reimbursement of Travel Costs	Total Travel Cost	Portion of Total Travel Cost That Was Unallowable	Portion of Total Travel Cost for Which There Was an In-state Alternative
September 19, 2010, through September 23, 2010 (5 days)	Los Angeles, CA	Attend International Association of Industrial Accident Boards and Commissions (IAIABC) Annual Conference	<ul style="list-style-type: none"> ▪ The Office paid \$130 per day for meals when the maximum allowable was \$71 per day. ▪ The Office reimbursed employee personal expenses. 	\$ 2,500	\$ 649	\$ 0
June 19, 2011, through June 24, 2011 (6 days)	Seattle, WA	Attend Grantsmanship Training Program ^a	<ul style="list-style-type: none"> ▪ The Office reimbursed employee personal expenses. ▪ The same or comparable training was offered in Houston, Texas in June 2011. 	1,899 ^b	116	1,782
August 21, 2011, through August 26, 2011 (6 days)	Madison, WI	Attend IAIABC Annual Conference	<ul style="list-style-type: none"> ▪ The Office paid \$119 per day for meals when the maximum allowable was \$112 per day. ^c 	4,443 ^d	35	0
March 2, 2012, through March 7, 2012 (6 days)	New Orleans, LA	Attend National Association of Insurance Commissioners Conference	<ul style="list-style-type: none"> ▪ The Office reimbursed employee costs that were not adequately supported. 	5,741 ^d	45	0
June 10, 2012, through June 16, 2012 (7 days)	Seattle, WA	Attend Grantsmanship Training Program	<ul style="list-style-type: none"> ▪ The Office paid \$197 per day for meals when the maximum allowable was \$142 per day. ^c ▪ The Office reimbursed an employee for unallowable items related to alcohol purchases. ▪ The same or comparable training was offered in Waco, Texas in August 2012. 	4,811 ^{d e}	333	4,478

Office Out-of-state Travel Expenditures for Fiscal Years 2011 to 2014

Dates of Travel	Destination	Purpose	Errors Auditors Identified in the Office's Reimbursement of Travel Costs	Total Travel Cost	Portion of Total Travel Cost That Was Unallowable	Portion of Total Travel Cost for Which There Was an In-state Alternative
June 29, 2012, through July 3, 2012 (5 days)	Amarillo, TX Santa Fe, NM El Paso, TX	Conduct site visits to the Office's Amarillo and El Paso field offices	<ul style="list-style-type: none"> The Office reimbursed employee personal expenses. The employee did not receive approval for out-of-state travel to New Mexico. 	616 ^f	616	0
September 30, 2012, through October 5, 2012 (6 days)	New Port, RI	Attend IAIABC Annual Conference	<ul style="list-style-type: none"> The Office paid \$251 per day for meals when the maximum allowable was \$142 per day.^c The Office reimbursed employee personal expenses. 	6,019 ^d	498	0
June 14, 2013, through June 20, 2013 (7 days)	Chicago, IL	Attend Society for Human Resource Management (SHRM) Conference	<ul style="list-style-type: none"> The Office reimbursed employee personal expenses. The Office reimbursed an employee for unallowable items related to alcoholic beverage purchases. The \$10 receipt for the alcoholic beverages was modified to conceal the items purchased. According to the Office, the same or comparable training was offered in Austin, Texas. 	3,531	54	3,477
September 29, 2013, through October 4, 2013 (6 days)	San Diego, CA	Attend IAIABC Conference		5,157 ^d	0	0
October 26, 2013, through October 29, 2013 (4 days)	San Francisco, CA	Attend SHRM Conference	<ul style="list-style-type: none"> According to the Office, the same or comparable training was offered in Austin, Texas. 	2,279	0	2,279
March 16, 2014, through March 20, 2014 (5 days)	Washington, DC	Attend SHRM Conference	<ul style="list-style-type: none"> According to the Office, the same or comparable training was offered in Austin, Texas. 	2,830	0	2,830
April 6, 2014, through April 10, 2014 (5 days)	Coeur d'Alene, ID	Attend IAIABC Conference		3,894 ^d	0	0
April 27, 2014, through May 1, 2014 (5 days)	Nashville, TN	Attend SHRM Conference	<ul style="list-style-type: none"> According to the Office, the same or comparable training was offered in Austin, Texas. 	2,380	0	2,380

Office Out-of-state Travel Expenditures for Fiscal Years 2011 to 2014

Dates of Travel	Destination	Purpose	Errors Auditors Identified in the Office's Reimbursement of Travel Costs	Total Travel Cost	Portion of Total Travel Cost That Was Unallowable	Portion of Total Travel Cost for Which There Was an In-state Alternative
July 13, 2014, through July 18, 2014 (6 days)	Sarasota, FL	Attend Southern Association of Workers' Compensation Administrator's Annual Convention		4,606 ^d	0	0
Totals				\$50,706	\$2,346	\$17,226

^a An information specialist attended that training.

^b Total does not sum precisely due to rounding.

^c Texas Government Code, Section 660.206, allows a state employee to receive reimbursement for the actual expense of meals and lodging for a trip when that employee is designated by the chief administrator of the state agency to represent the chief administrator. The General Appropriations Act limits that reimbursement for actual expenses to twice the amount of the federal per diem rate.

^d Total costs reflect the former deputy public counsel's and former government relations specialist's costs for travel to conferences or training.

^e Total costs include all travel costs for the former deputy public counsel and airfare for the former government relations specialist. The former government relations specialist did not request reimbursement for incidentals, meals, and lodging because the Office had reached its overall limit for out-of-state travel expenditures. Therefore, the Office stated that the former deputy public counsel initiated a \$2,000 one-time merit increase for the former government relations specialist to offset that individual's travel expenses.

^f The total cost reflects only the costs related to the out-of-state portion of this travel (weekend travel to New Mexico). The purpose of this travel was to visit the Office's field offices in Amarillo and El Paso. The cost associated with the in-state portion of this trip for the airfare and rental car was \$799.

Source: Auditor review of Office travel vouchers.

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