

An Audit Report on

State Entity Management of Travel Advance and Petty Cash Funds

August 2002

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State Entity Management of Travel Advance and Petty Cash Funds

Overall Conclusion

The five state agencies we audited spent and accurately reported their travel advance and petty cash funds in accordance with state laws and regulations. However, through our analysis, we determined that state agencies and institutions of higher education (state entities) do not appear to need all the travel advance and petty cash funds they have set aside. If not spent, these funds remain unused in bank accounts outside of the State Treasury. We also identified control weaknesses related to travel advance and petty cash accounts at the agencies we audited.

Background Information

The Comptroller Manual of Accounts specifies that:

- A travel advance fund is "the amount on deposit in a bank that is specifically utilized to advance funds for the purpose of business travel to eligible employees."
- A petty cash fund is "the amount of currency and coins, on deposit in a bank or set aside to make change or pay small obligations when the issuance of a formal voucher/state warrant is not cost-effective."

Travel advance and petty cash funds come from state appropriations. Texas Government Code, Section 403.245(b), specifies that replenishment of these accounts is "an expenditure from the corresponding fund and shall be drawn from the appropriation from which the expenditure would otherwise have been made."

Texas Government Code, Section 403.250, requires the State Auditor's Office to audit state entities for the proper use of travel advance and petty cash accounts.

According to the fiscal year 2001 *Annual Cash Report* from the Comptroller of Public Accounts, state entities' travel advance fund balances at the end of fiscal year 2001 totaled \$2,270,802. However, based on fiscal year 2000 and 2001 actual travel advance fund expenditures, state entities needed to hold approximately only \$1,337,000 in travel advance funds. If excess funds were transferred out of travel advance funds, approximately \$934,000 could be returned to the State Treasury, a portion of which could potentially go to unappropriated General Revenue. As a result of our analysis, 29 state entities have notified us that they have returned or intend to return \$540,701 in unspent travel advance funds to the State Treasury. To maximize the use of state funds, we encourage all state entities to examine their use of travel advance funds annually and to align travel advance fund balances with their needs.

Unlike travel advance expenditures, petty cash expenditures are not easily identifiable in the Uniform Statewide Accounting System (USAS). Therefore, we could not analyze petty cash funds at a statewide level. However, of the five agencies we audited, three maintained petty cash fund balances that they did not use or that appeared to be excessive. As with travel advance funds, we encourage all state entities to examine their use of petty cash funds annually and to align petty cash fund balances with their needs. At the end of fiscal year 2001, state entities held \$1,359,736 in petty cash funds.



Key Points

State entities should annually examine and adjust their travel advance and petty cash fund balances to align with their needs and ensure that they manage these funds properly.

Despite the availability of state credit cards and improvements in state payment system technology, state entities continue to maintain large travel advance fund balances. Reducing the amount of funds held for the purpose of providing employees with travel advances could result in entities' returning approximately \$934,000 to the State Treasury (based on fiscal year 2000 and 2001 actual travel advance fund expenditures). As of July 22, 2002, a total of 29 state entities have notified us that they have returned or intend to return \$540,701 in unspent travel advance funds to the State Treasury. (The \$540,701 figure is part of the \$934,000 mentioned previously.)

Unlike travel advance expenditures, petty cash expenditures are not easily identifiable in USAS. As a result, we could not analyze them at a statewide level. However, three of the agencies we audited appear to have petty cash fund balances that they did not use or that were larger than necessary. Specifically, we found that:

- The Department of Mental Health and Mental Retardation's Austin State School maintained a \$5,800 petty cash fund balance, but it spent an average of only \$1,356 of these funds each month during an eight-month period in fiscal year 2002.
- The Texas Rehabilitation Commission's Austin Regional Office maintained a \$4,000 petty cash fund that it did not use, and its Houston District Office maintained a \$4,000 petty cash fund from which its total monthly activity averaged \$25 during an eight-month period in fiscal year 2002. Additionally, both offices paid bank service charges to maintain these petty cash fund accounts in local banks outside the State Treasury. Texas Rehabilitation Commission's overall petty cash fund balance was \$24,000, but its petty cash fund expenditures per month for fiscal years 2000 and 2001 averaged \$500.
- The Texas Department of Transportation's Fort Worth District Office maintained a \$1,500 petty cash fund, but its total monthly activity from this fund during an eight-month period in fiscal year 2002 averaged \$224.

Each of the five agencies audited needs to strengthen controls over travel advance and petty cash funds to protect them from loss.

The Texas Lottery Commission (Lottery), School for the Blind and Visually Impaired (School), Department of Mental Health and Mental Retardation (MHMR), Texas Rehabilitation Commission (TRC), and Texas Department of Transportation (TxDOT) need to strengthen controls over travel advance and petty cash funds. Examples of the weaknesses we identified include the following:

- The Lottery provided travel advances to employees who had not submitted travel vouchers for prior travel advances. It also did not always ensure that it processed employee travel vouchers associated with travel advances. As a result, the Lottery has \$8,315 in outstanding travel advances issued during the years 1995 through 1998. The Lottery is working to clear these outstanding advances. In addition, the Lottery coded 38 petty cash reimbursement transactions totaling \$3,747 with incorrect USAS accounting transaction code combinations.

- The School did not ensure that employees promptly reimbursed the travel advance fund for any differences between the travel advances they received and their actual travel expenses. The School also did not promptly reconcile petty cash funds with bank statements and lacked policies and procedures regarding the proper administration of petty cash funds.
- MHMR's Austin State School did not ensure that it always used the appropriate USAS transaction codes for petty cash transactions. MHMR also did not have documented travel advance and petty cash policies and procedures specific to the Austin State School.
- TRC's Austin Regional Office did not reconcile petty cash funds with bank statements and did not ensure that employees reviewed and approved reconciliations.
- TxDOT's Fort Worth District Office's petty cash fund exceeded TxDOT's \$1,500 limit by \$120. TxDOT's Fort Worth and Bryan District Offices did not reconcile, review, or approve petty cash funds with bank statements. These offices also lacked documented policies and procedures specific to their individual offices.

Summary of Management Responses

The agencies we audited generally agree with our recommendations. Management responses from all agencies we audited are included at the end of this report.

Summary of Audit Objectives, Scope, and Methodology

Our objectives were to determine whether (1) state entities spent travel advance and petty cash funds in accordance with state laws and regulations and (2) state entities reported travel advance and petty cash funds accurately.

The scope of this audit included examining statewide travel advance fund data and conducting audits of controls over travel advance and petty cash funds at five state agencies for fiscal years 2000, 2001, and 2002.

The audit methodology consisted of collecting information, performing selected audit tests and other procedures, and analyzing and evaluating the results against established criteria. This audit did not include a review of information technology systems.

Table of Results, Recommendations, and Responses	
Results and Recommendations	Management's Response
<p>The five state agencies we audited spent travel advance and petty cash funds in accordance with state laws and regulations. However, our analysis indicates that state entities could return approximately \$934,000 in excess travel advance funds to the State Treasury. As a result of our audit, 29 state entities have returned or intend to return a total of \$540,701 to the State Treasury. In addition, state entities may be holding excessive petty cash fund balances. We also identified specific travel advance and petty cash fund management weaknesses at each of the five agencies we audited.</p>	
<p>We encourage all state entities to annually examine their use of travel advance and petty cash funds and to adjust fund balances to align with needs.</p>	
<p>The Texas Lottery Commission should annually examine its travel advance fund activity and adjust its travel advance fund balance to align with its needs.</p>	Agree
<p>The School for the Blind and Visually Impaired should annually examine its travel advance fund activity and adjust its travel advance fund balance to align with its needs.</p>	Agree
<p>The Department of Mental Health and Mental Retardation should:</p>	
<ul style="list-style-type: none"> ▪ Annually examine its schools' and hospitals' needs to maintain travel advance funds and should adjust travel advance fund balances to align with these entities' needs. 	Agree
<ul style="list-style-type: none"> ▪ Annually examine its schools' and hospitals' petty cash fund balances and adjust petty cash fund balances to align with these entities' needs. 	Agree
<ul style="list-style-type: none"> ▪ Ensure that its schools and hospitals maintain accounts in banks that charge the lowest service charges while still providing desired service levels. 	Agree
<p>The Rehabilitation Commission should annually examine its regional offices' and the overall agency's need to maintain petty cash funds and should adjust petty cash fund balances to align with needs.</p>	Agree
<p>The Department of Transportation should annually examine its district offices' needs to maintain petty cash funds and should adjust petty cash fund balances to align with needs.</p>	Agree
<p>The five state agencies we audited accurately reported travel advance and petty cash funds. However, these agencies need to strengthen controls over travel advance and petty cash funds to protect their funds from loss.</p>	
<p>The Texas Lottery Commission should:</p>	
<ul style="list-style-type: none"> ▪ Ensure that it promptly compares employees' travel advances with actual travel expenses and require employees to reimburse any excess travel advance funds they received. 	Agree
<ul style="list-style-type: none"> ▪ Clear all outstanding travel advance items. 	Agree
<ul style="list-style-type: none"> ▪ Establish and enforce a deadline by which employees must submit travel vouchers detailing their actual travel expenses. 	Agree
<ul style="list-style-type: none"> ▪ Ensure that it provides travel advances only to employees who have submitted travel vouchers for all prior travel advances they have received. 	Agree
<ul style="list-style-type: none"> ▪ Return the interest it earns on its travel advance fund to General Revenue as required. 	Agree
<ul style="list-style-type: none"> ▪ Ensure that it uses the appropriate Uniform Statewide Accounting System (USAS) transaction codes for petty cash transactions. 	Agree
<p>The School for the Blind and Visually Impaired should:</p>	
<ul style="list-style-type: none"> ▪ Ensure that it promptly compares employees' travel advances with actual travel expenses and requires employees to reimburse any excess travel advance funds they received. 	Agree
<ul style="list-style-type: none"> ▪ Ensure that it correctly certifies its travel advance funds on the Comptroller's annual certification report. 	Agree
<ul style="list-style-type: none"> ▪ Establish and enforce a deadline by which employees must submit travel vouchers detailing actual travel expenses. 	Agree
<ul style="list-style-type: none"> ▪ Ensure that it properly prepares, reviews, and maintains evidence of petty cash bank reconciliations. 	Agree
<ul style="list-style-type: none"> ▪ Document policies and procedures regarding the proper administration of travel advance and petty cash funds. 	Agree

Table of Results, Recommendations, and Responses	
Results and Recommendations	Management's Response
The Department of Mental Health and Mental Retardation should:	
▪ Ensure that its schools and hospitals use appropriate USAS transaction codes.	Agree
▪ Ensure that its schools and hospitals accurately process petty cash transactions.	Agree
▪ Ensure that its schools and hospitals with travel advance and petty cash fund balances have documented policies and procedures regarding the proper administration of these funds.	Agree
The Rehabilitation Commission should ensure that its regional offices properly prepare, review, and maintain evidence of petty cash bank reconciliations.	Agree
The Texas Department of Transportation (TxDOT) should:	
▪ Ensure that district offices' petty cash fund balances comply with the limit set by TxDOT.	Agree
▪ Ensure that its district offices properly prepare, review, and maintain evidence of petty cash bank reconciliations.	Agree
▪ Ensure that its district offices document policies and procedures regarding the proper administration of petty cash funds.	Agree

Recent SAO Audit Work		
Number	Report Name	Release Date
02-052	An Audit of Community Service Contracts at Selected Health and Human Service Agencies	June 2002
02-033	A Financial Review of the Department of Mental Health and Mental Retardation	April 2002
00-029	A Review of the Use of Federal Funds at the Department of Transportation	May 2000

Other SAO Products		
Number	Product Name	Release Date
01-420	Legislative Summary Document - Texas Lottery Commission	March 2001
01-444	Legislative Summary Document - Department of Transportation	March 2001
01-447	Legislative Summary Document - Rehabilitation Commission	March 2001
01-375	Legislative Summary Document - Department of Mental Health and Mental Retardation	February 2001

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Detailed Results

Chapter 1

State Entities Should Annually Examine and Adjust Travel Advance and Petty Cash Fund Balances to Align With Needs and Ensure That They Manage These Funds Properly

The five state agencies we audited spent travel advance and petty cash funds in accordance with state laws and regulations. However, our analysis of all state travel advance fund balances and audits of travel advance and petty cash funds at the five agencies showed that state agencies and higher education institutions (state entities) keep higher balances in these funds than they may need. At the end of fiscal year 2001, state entities held travel advance fund balances totaling \$2,270,802. However, based on fiscal year 2000 and 2001 actual travel advance fund expenditures, they needed to hold travel advance fund balances of approximately only \$1,337,000. The \$934,000 in excess funds could be returned to the State Treasury, a portion of which could potentially go to unappropriated General Revenue.

What Is a Travel Advance Fund?

Texas Government Code, Section 403.244, specifies that a travel advance fund is to be used for advancing travel expense money to state officers and employees.

The amount of a travel advance is limited to a state officer's or employee's projected travel expenses.

State agencies maintain travel advance funds in bank accounts outside of the State Treasury.

What Is a Petty Cash Fund?

Texas Government Code, Section 403.244, specifies that a petty cash fund may be established for activities such as making change or making small disbursements for which formal expenditure procedures are not cost-effective.

State agencies maintain petty cash in the form of currency in their offices and/or in bank accounts outside of the State Treasury.

Unlike travel advance expenditures, petty cash expenditures are not easily identifiable in the Uniform Statewide Accounting System (USAS). As a result, we could not analyze them at a statewide level. However, of the five agencies we audited, three maintained petty cash funds that they did not use or that appeared to be excessive. One agency paid bank service charges for unused or seldom used petty cash funds it maintained in local banks outside the State Treasury. At the end of fiscal year 2001, state entities held \$1,359,736 in petty cash funds.

The availability of state credit cards and improvements in technology associated with the state payment system enable state entities to reduce the amount of travel advance and petty cash funds they hold. However, many state entities have not reduced fund balances to adjust for these factors. Reducing these fund balances could result in excess funds being returned to the State Treasury. To maximize the use of state funds, we encourage state entities to review their travel advance and petty cash fund balances annually to ensure balances are aligned with their needs. Using information from the USAS, we analyzed state entities' travel advance fund balances. We compared each entity's travel advance fund balance to its average and highest monthly expenditures from its travel advance fund. We provided state entities with the results of this analysis. As a result, 29 state entities have notified us that they have returned or intend to return \$540,701 in travel advance funds to the State Treasury (see Table 1).

Table 1

Twenty-nine state entities have returned or intend to return \$540,701 in unspent travel advance funds to the State Treasury.

Summary of Travel Advance Fund Activity for State Entities That Have Returned or Intend to Return Travel Advance Funds to the State Treasury					
Entity	Fund Balance on August 31, 2001	Average Monthly Expenditures (fiscal years 2000 and 2001)	Highest Monthly Expenditures (fiscal years 2000 and 2001)	Amount Entity Has Returned or Intends to Return to the State Treasury	Remaining Fund Balance
Department of Public Safety	\$ 200,000	\$ 57,223	\$ 148,050	\$ 100,000	\$ 100,000
Department of Health	370,000	103,511	165,293	75,000	295,000
Department of Criminal Justice	200,000	59,746	119,786	75,000	125,000
Office of the Attorney General	140,000	37,864	66,039	60,000	80,000
Department of Insurance	45,000	4,193	13,192	20,000	25,000
Youth Commission	73,000	14,478	28,086	20,000	53,000
Texas Lottery Commission	25,000	1,516	5,036	19,000 ^a	6,000
Public Utility Commission of Texas	23,000	114	777	18,000	5,000
Texas Building and Procurement Commission	21,500	2,790	6,202	16,500	5,000
Parks and Wildlife Department	75,001	14,498	45,452	15,001 ^b	60,000
Rehabilitation Commission	35,000	18,561	37,035	15,000	20,000
Texas A&M University - Commerce	33,000	24,247	49,527	15,000	18,000
Texas Department of Economic Development	24,000	2,719	9,252	14,000	10,000
Employees Retirement System	27,700	5,938	12,809	13,700	14,000
Department of Banking	20,000	3,749	9,568	10,000	10,000
Commission on Alcohol and Drug Abuse	20,000	3,744	7,690	10,000 ^c	10,000
School for the Blind and Visually Impaired	20,000	2,427	5,682	10,000	10,000
Secretary of State	18,000	1,911	4,911	10,000 ^d	8,000
Workers' Compensation Commission	23,000	7,930	18,081	5,000	18,000
State Office of Risk Management	6,000	158	1,181	3,000	3,000
Alcoholic Beverage Commission	5,000	188	1,088	3,000	2,000
Office of Public Insurance Counsel	2,500	202	1,589	2,500	0

Table 1

Twenty-nine state entities have returned or intend to return \$540,701 in unspent travel advance funds to the State Treasury.

Summary of Travel Advance Fund Activity for State Entities That Have Returned or Intend to Return Travel Advance Funds to the State Treasury					
Entity	Fund Balance on August 31, 2001	Average Monthly Expenditures (fiscal years 2000 and 2001)	Highest Monthly Expenditures (fiscal years 2000 and 2001)	Amount Entity Has Returned or Intends to Return to the State Treasury	Remaining Fund Balance
Commission on the Arts	11,000	3,906	8,281	2,500	8,500
Texas Judicial Council Office of Court Administration	4,000	555	1,683	2,000	2,000
Board of Public Accountancy	6,000	373	1,949	2,000	4,000
Office of the Governor	7,500	1,637	5,200	1,500	6,000
Racing Commission	2,000	127	575	1,000	1,000
Children's Trust Fund of Texas Council	1,000	0	0	1,000	0
Board of Examiners of Psychologists	2,500	371	1,175	1,000	1,500
Totals	\$ 1,440,701	\$ 374,676	\$ 775,189	\$ 540,701	\$ 900,000

^a The Texas Lottery Commission indicates that \$8,500 of the \$19,000 will be returned upon resolution of travel advance issues noted in Chapter 2 of this report.

^b The Parks and Wildlife Department indicates it will return funds in September 2002.

^c The Commission on Alcohol and Drug Abuse indicates it will return funds in August 2002.

^d The Secretary of State office indicates it will return funds in November 2002, after the election.

Source: Figures in the second through the fourth columns were derived from the Uniform Statewide Accounting System. Information in the fifth column was obtained from each individual agency.

We identified a variety of specific travel advance and petty cash fund management issues at each of the five agencies we audited. Table 2 presents these issues and our recommendations.

Table 2

Audited agencies should address specific fund management weaknesses.

Weaknesses in Fund Balance Management and Recommendations	
Control Weakness	Recommendation
Texas Lottery Commission (Lottery)	
The Lottery's travel advance fund balance was \$25,000, but its highest monthly travel advance fund expenditures from this fund in fiscal years 2000 and 2001 totaled \$5,036. This indicates that the Lottery did not review fund activity to determine its current needs.	The Lottery should annually examine its travel advance fund activity and adjust its travel advance fund balance to align with its needs.
School for the Blind and Visually Impaired (School)	
The School's travel advance fund balance was \$20,000, but its highest monthly travel advance fund expenditures from this fund for fiscal years 2000 and 2001 totaled \$5,682. This indicates that the School did not review fund activity to determine its current needs.	The School should annually examine its travel advance fund activity and adjust its travel advance fund balance to align with its needs.

Table 2
Audited agencies should address specific fund management weaknesses.

Weaknesses in Fund Balance Management and Recommendations	
Control Weakness	Recommendation
Department of Mental Health and Mental Retardation (MHMR)^a	
<p>MHMR's Austin State School used its \$1,000 travel advance fund only once from September 1, 1998, through May 15, 2002. This indicates that maintaining a travel advance fund at this level at the individual school may not be necessary.</p> <p>MHMR's Austin State School maintains a \$7,300 petty cash balance, \$1,500 of which is set aside for trust fund activity. The remaining \$5,800 petty cash balance had an average monthly activity of only \$1,356 over an eight-month period for fiscal year 2002. This indicates that Austin State School did not review fund activity to determine its current needs.</p> <p>Both MHMR's Richmond State School and Austin State School maintained bank accounts for which the bank service charges appear to be excessive. Richmond State School paid \$933 in bank service charges for the three-month period examined, while Austin State School paid \$1,056 in bank service charges for the three-month period examined. In comparison, MHMR's Brenham State School did not pay any bank service charges.</p>	<p>MHMR should:</p> <ul style="list-style-type: none"> ▪ Annually examine its schools' and hospitals' needs to maintain travel advance funds and adjust travel advance fund balances to align with these entities' needs. ▪ Annually examine its schools' and hospitals' petty cash fund balances and adjust petty cash fund balances to align with these entities' needs. ▪ Ensure that its schools and hospitals maintain accounts in banks that charge the lowest service charges while still providing desired service levels.
Texas Rehabilitation Commission (TRC)^b	
<p>TRC's Austin Regional Office maintained a \$4,000 petty cash fund that it did not use during fiscal year 2002. TRC's Houston Regional Office maintained a \$4,000 petty cash fund, but the fund had an average monthly activity of only \$25 in expenditures over an eight-month period in fiscal year 2002. (Both offices paid bank service charges to maintain these petty cash fund accounts in local banks outside the State Treasury.) This indicates that neither the Austin Regional Office nor the Houston Regional Office reviewed fund activity to determine their current needs.</p> <p>TRC maintained a total petty cash fund balance of \$24,000, but it had an average monthly activity of only \$500 in petty cash expenditures during fiscal year 2002. This indicates that TRC did not review fund activity to determine its current needs.</p>	<p>TRC should annually examine its regional offices' and the overall agency's needs to maintain petty cash funds and should adjust petty cash fund balances to align with needs.</p>
Texas Department of Transportation (TxDOT)^c	
<p>TxDOT's Fort Worth District Office maintains a \$1,500 petty cash fund balance that had an average monthly activity of only \$224 over an eight-month period for fiscal year 2002. This indicates that the Fort Worth District Office did not review fund activity to determine its current needs.</p>	<p>TxDOT should annually examine its district offices' needs to maintain petty cash funds and should adjust petty cash fund balances to align with needs.</p>
<p>^a Our testing at MHMR was limited to Austin State School and Richmond State School.</p> <p>^b Our testing at TRC was limited to the Austin Regional Office and the Houston Regional Office.</p> <p>^c Our testing at TxDOT was limited to the Fort Worth District Office and the Bryan District Office.</p>	

Each of the Five Agencies Audited Needs to Strengthen Controls Over Travel Advance and Petty Cash Funds to Protect These Funds From Loss

The five state agencies we audited accurately reported travel advance and petty cash funds. However, to protect travel advance and petty cash funds from loss, these agencies should address the control weaknesses we identified. Examples of these weaknesses include the following:

- Not promptly comparing employees' travel advances with actual travel expenses and not requiring employees to reimburse any excess travel advance funds they received
- Not clearing outstanding travel advance transactions to maintain proper control over funds
- Failing to ensure that employees submit travel vouchers promptly and failing to process these vouchers promptly
- Providing travel advances to employees who had not submitted travel vouchers associated with prior travel advances
- Failing to return interest earned on travel advance funds to General Revenue
- Operating without adequate, documented travel advance and petty cash fund policies and procedures
- Coding petty cash transactions incorrectly in the USAS
- Incorrectly certifying fund balances on the annual certification report for the Comptroller of Public Accounts (Comptroller)
- Not documenting preparation, review, and approval of reconciliations of petty cash funds to bank statements in a prompt manner
- Having a petty cash fund balance in excess of the limit set by the agency

Table 3 details the internal control weaknesses relating to travel advance and petty cash funds that we identified. If an audited agency kept currency in its office, we performed a surprise cash count. We found no significant shortages of cash during any of these cash counts.

Table 3

Audited agencies need to strengthen controls over travel advance and petty cash funds.

Weaknesses in Controls Over Travel Advance and Petty Cash Funds and Recommendations	
Control Weakness	Recommendation
Texas Lottery Commission (Lottery)	
<p>The Lottery did not ensure that it received and processed travel vouchers associated with \$8,315 in travel advance funds it issued to employees. The Lottery issued these travel advances during the years 1995 through 1998. It has been carrying the \$8,315 amount in reconciling items since then. Management has requested our assistance in resolving this issue.</p> <p>The Lottery's policies and procedures do not establish a deadline by which employees must submit travel vouchers showing actual travel expenses. The Lottery also issued travel advances to employees who already had outstanding travel advances for which they had not submitted travel vouchers. This lack of control reduces the Lottery's ability to manage its travel advance funds efficiently.</p> <p>In addition, the Lottery did not return \$422 in interest it earned on its travel advance fund to General Revenue as required by Comptroller Accounting Policy Statement 010.</p> <p>The Lottery coded 38 petty cash reimbursement transactions totaling \$3,747 with incorrect USAS accounting transaction code combinations. Using incorrect transaction codes reduces consistency and accuracy of information that may be used to analyze the fund's activity.</p>	<p>The Lottery should:</p> <ul style="list-style-type: none"> ▪ Ensure that it promptly compares employees' travel advances with actual travel expenses and requires employees to reimburse any excess travel advance funds they received. ▪ Clear all outstanding travel advance items. ▪ Establish and enforce a deadline by which employees must submit travel vouchers detailing their actual travel expenses. ▪ Ensure that it provides travel advances only to employees who have submitted travel vouchers for all prior travel advances they have received. ▪ Return the interest it earns on its travel advance fund to General Revenue as required. ▪ Ensure that it uses the appropriate USAS transaction codes for petty cash transactions.
School for the Blind and Visually Impaired (School)	
<p>The School had a total of \$2,424 in outstanding travel advance funds that were more than 30 days old. Seven employees had not submitted travel vouchers showing their actual travel expenses associated with these travel advances.</p> <p>The School misclassified \$4,036 of its travel advance fund balance as accounts receivable, leaving a balance of \$15,964, as certified on the Comptroller's annual certification report. Its travel advance fund balance was actually \$20,000.</p> <p>The School has not documented its travel advance policies and procedures. In addition, it has not adequately enforced its established deadline by which employees must submit travel vouchers showing actual travel expenses.</p> <p>The School does not promptly reconcile petty cash funds with bank statements to adequately monitor the accuracy of petty cash fund balances.</p> <p>The School does not ensure that employees properly review and approve petty cash bank reconciliations.</p> <p>The School does not have documented policies and procedures regarding the proper administration of petty cash funds.</p>	<p>The School should:</p> <ul style="list-style-type: none"> ▪ Ensure that it promptly compares employees' travel advances with actual travel expenses and requires employees to reimburse any excess travel advance funds they received. ▪ Ensure that it correctly certifies its travel advance funds on the Comptroller's annual certification report. ▪ Consistently enforce the deadline by which employees must submit travel vouchers detailing actual travel expenses. ▪ Ensure that it properly prepares, reviews, and maintains evidence of petty cash bank reconciliations. ▪ Document policies and procedures regarding the proper administration of travel advance and petty cash funds.

Table 3

Audited agencies need to strengthen controls over travel advance and petty cash funds.

Weaknesses in Controls Over Travel Advance and Petty Cash Funds and Recommendations	
Control Weakness	Recommendation
Department of Mental Health and Mental Retardation (MHMR)^a	
<p>MHMR's Austin State School processed 9 of 97 petty cash reimbursement vouchers with incorrect USAS accounting transaction code combinations. Using incorrect transaction codes reduces consistency and accuracy of information that may be used to analyze the fund's activity.</p> <p>Austin State School had an \$833 petty cash overage that, according to the school management, appears to be due to prior year activity that resulted in a double reimbursement to the petty cash accounts. The school provided evidence of vouchers it prepared to reimburse the accounts, and the petty cash bank account was in balance with the certified amount prior to the end of our audit.</p> <p>While MHMR's Richmond State School does have documented policies and procedures regarding the proper administration of petty cash, Austin State School does not.</p> <p>Austin State School also does not have documented policies and procedures (specific to the school) regarding the proper administration of travel advance funds.</p>	<p>MHMR should:</p> <ul style="list-style-type: none"> ▪ Ensure that its schools and hospitals use appropriate USAS transaction codes. ▪ Ensure that its schools and hospitals accurately process petty cash transactions. ▪ Ensure that its schools and hospitals with travel advance and petty cash fund balances have documented policies and procedures regarding the proper administration of travel advance and petty cash funds.
Texas Rehabilitation Commission (TRC)^b	
<p>TRC's Austin Regional Office did not promptly reconcile petty cash funds with bank statements to adequately monitor the accuracy of petty cash fund balances. In addition, the Austin Regional Office did not ensure that employees properly reviewed and approved petty cash bank reconciliations.</p>	<p>TRC should ensure that its regional offices properly prepare, review, and maintain evidence of petty cash bank reconciliations.</p>
Texas Department of Transportation (TxDOT)^c	
<p>TxDOT's Fort Worth District Office maintains a petty cash fund with a balance that exceeds the \$1,500 limit (set by TxDOT) by \$120.</p> <p>TxDOT's Bryan District Office did not perform bank reconciliations for the period we reviewed. The Fort Worth District Office did not ensure that employees properly reviewed petty cash bank reconciliations.</p> <p>The Fort Worth District Office and the Bryan District Office also do not have adequate documented policies and procedures regarding the proper administration of petty cash funds. For example, their procedures lack authorization requirements, approval levels, and dollar limits.</p>	<p>TxDOT should:</p> <ul style="list-style-type: none"> ▪ Ensure that district offices' petty cash fund balances comply with the limit set by TxDOT. ▪ Ensure that its district offices properly prepare, review, and maintain evidence of petty cash bank reconciliations. ▪ Ensure that its district offices document policies and procedures regarding the proper administration of petty cash funds.
<p>^a Our testing at MHMR was limited to Austin State School and Richmond State School.</p> <p>^b Our testing at TRC was limited to the Austin Regional Office and the Houston Regional Office.</p> <p>^c Our testing at TxDOT was limited to the Fort Worth District Office and the Bryan District Office.</p>	

Management Responses



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Executive Director

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Bingo FAX (512) 344-5142
www.txlottery.org • www.txbingo.org



William L. Atkins
Director

August 16, 2002

Beverly J. Schulke
Project Manager
State Auditor's Office
PO Box 12067
Austin, Texas 78711-2067

Dear Ms. Schulke:

We received your letter dated August 2, 2002 regarding your findings and recommendations of the State Entity Management of Travel Advance and Petty Cash Funds audit report of the Texas Lottery Commission (Commission). The scope of your audit included examining travel advance fund data and conducting audit of controls over travel advance and petty cash funds for fiscal years 2000, 2001 and 2002. The Commission has reviewed its travel advance fund activity to align it with its needs and will adjust its travel fund balance from \$25,000 to \$6,000. Your audit identified the need to strengthen several controls over the travel advance fund, which the Commission has already taken action to correct. Specifically, we have taken action to clear the outstanding travel advances of \$8,315 from fiscal years 1995 through 1998 by submitting a reimbursement request to your office as directed by Comptroller Accounting Policy Statement 010. Please find below our responses to all of your recommendations:

Auditor Recommendation

Ensure that it promptly compares employees' travel advances with actual travel expenses and require employees to reimburse any excess travel advance funds they received.

Management Response

Management agrees. Management has revised the travel advance request form and procedures to ensure that travel vouchers are submitted promptly and compared to actual expenses. Effective July 15, 2002, the Financial Administration Division revised the required form "Application for Travel Advance". This form is clear about the required ten day timeframe for submitting travel vouchers and the payment of any excess travel advance funds. Employees are also made aware that their Supervisor and Director will be notified of any delinquency and the consequences of being ineligible for a travel advance for failure to file timely.

Commissioners - C. Tom Clowe, Jr., *Chairman* • Elizabeth D. Whitaker • Walter H. Criner, Sr.

Title of the person responsible for implementing corrective action:

Financial Administration Director

Estimated timeline for implementation:

Effective July 15, 2002, the Financial Administration Division revised the required form "Application for Travel Advance".

Auditor Recommendation

Clear all outstanding travel advance items.

Management Response

Management agrees. We have taken action to clear the outstanding travel advances of \$8,315 that were issued in fiscal years 1995 through 1998. In accordance with Comptroller Accounting Policy Statement 010, management is gathering all supporting information necessary to submit a "Request for Reimbursement" to the State Auditor's Office. The supporting documentation to confirm the travel activity will include copies of travel vouchers, third party billings, timesheets and memos.

Title of the person responsible for implementing corrective action:

Financial Administration Director

Estimated timeline for implementation:

The request is expected to be made by August 31, 2002.

Auditor Recommendation

Establish and enforce a deadline by which employees must submit travel vouchers detailing their actual travel expenses.

Management Response

Management agrees. Effective July 15, 2002, the Financial Administration Division revised the required form "Application for Travel Advance". This form makes it clear that failure to submit a travel voucher within the required ten day timeframe will be considered non-compliance and may result in becoming ineligible for future travel advances. Employees are also made aware that their Supervisor and Director will be notified of any delinquency. Furthermore, a weekly "Outstanding Travel Advance Aging Report" is being provided to the employee's Supervisor and Director. Policies and procedures have been revised to reflect these changes.

Title of the person responsible for implementing corrective action:

Financial Administration Director

Estimated timeline for implementation:

Effective July 15, 2002, the Financial Administration Division revised the required form "Application for Travel Advance".

Auditor Recommendation

Ensure that it provides travel advances only to employees who have submitted travel vouchers for all prior travel advances they have received.

Management Response

Management agrees. Effective July 15, 2002, the Financial Administration Division revised the required form "Application for Travel Advance" and the procedures overseeing the travel advance fund. The travel advance form makes it clear that failure to submit a travel voucher within the required ten day timeframe will be considered non-compliance and may result in becoming ineligible for future travel advances. Procedures were revised to require the preparation of a weekly "Outstanding Travel Advance Aging Report" and its review prior to issuing a travel advance. Procedures were revised directing the fund custodian that employees with outstanding travel advances are not to receive additional travel advances without written consent and approval of the Financial Administration Director.

Title of the person responsible for implementing corrective action:

Financial Administration Director

Estimated timeline for implementation:

Effective July 15, 2002, the Financial Administration Division revised the required form "Application for Travel Advance" and the procedures overseeing the travel advance fund.

Auditor Recommendation

Return the interest it earns on its travel advance fund to General Revenue as required.

Management Response

Management agrees. In compliance with Comptroller Accounting Policy Statement 010, management submitted all previously earned interest of \$422 in the travel advance account for deposit into the General Revenue on July 5, 2002. A procedure was developed and will be implemented for fiscal year ending August 31, 2002, requiring the transfer of interest earned annually on the travel advance fund to the General Revenue.

Title of the person responsible for implementing corrective action:

Financial Administration Director

Estimated timeline for implementation:

A procedure was developed and will be implemented for fiscal year ending August 31, 2002.

Auditor Recommendation

Ensure that it uses the appropriate USAS transaction codes for petty cash transactions.

Management Response

Management agrees. Effective July 15, 2002, the Financial Administration Division executed changes to the current ROSS accounting system to interface with the correct USAS accounting transaction codes for petty cash transactions. The Financial Administration Division will implement a new accounting system on September 1, 2002 that will correct this problem.

Title of the person responsible for implementing corrective action:

Financial Administration Director

Estimated timeline for implementation:

Effective July 15, 2002, Financial Administration Division executed changes to the current ROSS accounting system to interface with the correct USAS accounting transaction codes for petty cash transactions.

Auditor Recommendation

The Lottery should annually examine its travel advance fund activity and adjust its travel advance fund balance to align with its needs.

Management Response

Management agrees. The Financial Administration Division has developed a policy and procedure to ensure that the travel advance fund activity is examined annually and adjust its travel advance fund in alignment with its needs.

Title of the person responsible for implementing corrective action:

Financial Administration Director

Beverly J. Schulke, Project Manager
August 16, 2002
Page 5

Estimated timeline for implementation:

A procedure was developed and will be implemented for fiscal year ending August 31, 2002.

If you have any questions, please contact Bart Sanchez, Financial Administration Director, at 344-5410.

Sincerely,



Linda Cloud
Executive Director

cc: C. Tom Clowe, Jr., Chairman
Commissioner Elizabeth Whitaker
Commissioner James A. Cox, Jr.
Debra McLeod, CPA, CFE, CISA, CIA, Director of Internal Audit
Bart Sanchez, CPA, Financial Administration Director
Nelda Treviño, Governmental Affairs Director
Mike Geeslin, Budget Analyst, Governor's Office of Budget, Planning and Policy

**Texas
School for the
Blind and
Visually
Impaired**

Dr. Phil Hatlen, Superintendent

A Center for Educational Services for All
Blind and Visually Impaired Students in Texas
1100 W. 45th Street, Austin, Texas 78756-3494
(512) 454-8631
1-800-TSB-KARE
TDD (512)-206-9451
www.tsbvi.edu

August 16, 2002

Beverly J. Schulke
Project Manager
State Auditor's Office
P.O. Box 12067
Austin, Texas 78711-2067

Dear Ms. Schulke:

Following are our responses to the issues and recommendations regarding Texas School for the Blind and Visually Impaired contained in your draft report on State Entity Management of Travel Advance and Petty Cash Funds.

Your report states that the School should:

Ensure that it promptly compares employees' travel advances with actual travel expenses and require employees to reimburse any excess travel advance funds they received.

Ensure that it correctly certifies its travel advance funds on the Comptroller's annual certification report.

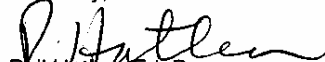
Enforce a deadline by which employees must submit travel vouchers detailing actual travel expenses.

Ensure that it properly prepares, reviews, and maintains evidence of petty cash bank reconciliations.

Document policies and procedures regarding the proper administration of travel advance and petty cash funds.

We concur with these recommendations and we have already begun their implementation. We agree that they will strengthen the School's controls over our travel advance and petty cash funds. The School's Director of Accounting is responsible for implementing the required corrective action and we anticipate that implementation will be complete during the coming fiscal year (FY 2003).

Sincerely,


Phil Hatlen, Ed. D.
Superintendent

BOARD OF TRUSTEES:

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Otilio Galindo - San Angelo
Zena B. Pearcy, Austin
Vacant

Consumers with Visual Impairments:
Bruce Allen Best, Spring
Jesus Bautista, El Paso
Mary Sue Welch, Dallas - President

Persons Working with the Visually Impaired:
Barbara K. Cherry, Garrison
Deborah Louder, San Angelo
Frankie D. Switt, Nacogdoches

FAX

Business Office/ (512)206-9452
Central Mail Room (512)206-9450
Outreach Services (512)206-9320
Superintendent (512)206-9453
Admissions (512)206-9474

Texas Department of
Mental Health and Mental Retardation

Karen F. Hale, M.S.S.A.
Commissioner



Central Office
P.O. Box 12668
Austin, TX
78711-2668
(512) 454-3761

August 19, 2002

Ms. Beverly J. Schulke
Project Manager
State Auditor's Office
Robert E. Johnson Building
1501 N. Congress Avenue
Austin TX 78701

Dear Ms. Schulke:

Enclosed is our response to the State Entity Management of Travel Advance and Petty Cash Funds audit conducted by your agency. We have listed your findings in bold and our management responses are in italics following each finding.

Sincerely,


for Karen F. Hale
Commissioner

KFH:mlr

Enclosure

cc: Larry Boriack, Director, Accounting Systems Management

The five state agencies we audited spent travel advance and petty cash funds in accordance with state laws and regulations. However, our analysis indicates that state entities could return approximately \$934,000 in excess travel advance funds to the State Treasury. As a result of our audit, 29 state entities have returned or intend to return a total of \$540,701 to the State Treasury. In addition, state entities may be holding excessive petty cash fund balances. We also identified specific travel advance and petty cash fund management weaknesses at each of the five agencies we audited.

- We encourage all state entities to annually examine their use of travel advance and petty cash funds and to adjust fund balances to align with needs.
- The Department of Mental Health and Mental Retardation should:

Annually examine its schools' and hospitals' needs to maintain travel advance funds and should adjust travel advance fund balances to align with these entities' needs.

Response: Management agrees and all MHMR facilities are being instructed to analyze its travel advance needs. The analyses will be reviewed by Central Office and any excess travel advance funds will be returned by September 30th. The analyses will be performed annually to coincide with the annual certification of travel advance funds to the Comptroller.

Completion date: 9/30/02 Larry Boriack, Director, Accounting Systems Management

Annually examine its schools' and hospitals' petty cash funds balances and adjust petty cash fund balances to align with these entities' needs.

Response: Management agrees and will instruct all MHMR facilities to analyze their petty cash needs. The analyses will be reviewed by Central Office and any excess petty cash funds will be returned by September 30, 2002. The analyses will be performed annually to coincide with the annual certification of petty cash funds to the Comptroller.

Completion date: 9/30/02 Larry Boriack, Director, Accounting Systems Management

Ensure that its schools and hospitals maintain accounts in banks that charge the lowest service charges while still providing desired service levels.

Response: Management agrees and will instruct all MHMR facilities to document that the facility is maintaining its accounts in a bank charging the lowest service charges for the level of service desired within the area. The documentation is to be updated annually.

Completion date: 9/30/02 Larry Boriack, Director, Accounting Systems Management

Each of the five agencies audited needs to strengthen controls over travel advance and petty cash funds to protect these funds from loss.

- The Department of Mental Health and Mental Retardation should:

Ensure that its schools and hospitals use appropriate USAS transaction codes.

Response: Management agrees and a letter will be sent to all MHMR facilities stressing the importance of properly coding USAS transactions. The letter will also instruct facilities how to correct errors that are found in coding USAS transactions.

Completion date: 9/30/02 Larry Boriack, Director, Accounting Systems Management

Ensure that its schools and hospitals accurately process petty cash transactions.

Response: Management agrees and a letter will be sent to all MHMR facilities to reinforce the importance of accurately processing petty cash transactions.

Completion date: 9/30/02 Larry Boriack, Director, Accounting Systems Management

Ensure that its schools and hospitals with travel advance and petty cash fund balances have documented policies and procedures regarding the proper administration of these funds.

Response: Management agrees and a letter will be sent to all MHMR facilities reminding them they are to have local policies and procedures as required by the agency's Fiscal Policy Manual.

Completion date: 9/30/02 Larry Boriack, Director, Accounting Systems Management



Texas Rehabilitation Commission

" A H U M A N E N E R G Y A G E N C Y "

Office of the Commissioner
4900 North Lamar Blvd.
Austin, Texas 78751-2399
Tel (512) 424-4001
Fax (512) 424-4012

A. Kent Waldrep, Jr.
BOARD CHAIR

August 14, 2002

VERNON "MAX" ARRELL
Commissioner

Ms. Beverly J. Schulke, Project Manager
Texas State Auditor's Office
1501 N. Congress Avenue
Austin, Texas 78701

Dear Ms Schulke:

Enclosed is our response to the recommendations in your draft audit report *State Entity Management of Travel Advance and Petty Cash Funds*. You mailed selected excerpts of the draft to us along with a cover letter dated August 2, 2002.

Your draft contains two recommendations specifically addressed to the Texas Rehabilitation Commission (TRC). We concur with the recommendations and have already substantially implemented them as described below:

SAO Recommendation (page 3): *TRC should annually examine its regional offices' and the overall agency's needs to maintain petty cash funds and should adjust balances to align with needs.*

TRC Response: Agree. TRC has determined that beginning September 1, 2002 (SFY 03) petty cash funds will be maintained and overseen by the Central Office. Regional offices will no longer maintain petty cash accounts. Consolidating TRC's six Petty Cash Funds into one will reduce fund balances from a total of \$24,000 to \$4,000.

SAO Recommendation (page 5): *TRC should ensure that its regional offices properly prepare, review, and maintain evidence of petty cash bank reconciliations. (State Auditor's testing was limited to the Austin Regional Office and the Houston Regional Office.)*



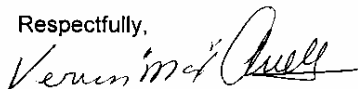
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TRC Response:

Agree. TRC has implemented systems to reconcile all petty cash accounts for close out at the end of SFY 2002. Central Office will maintain a single petty cash account. The Administrative Services department will implement the system to maintain and oversee TRC's petty cash account, including regular reconciliations.

Please contact me and my staff if you need further information prior to the finalizing and publishing of your report.

Respectfully,



Vernon M. Arrell

cc: Mr. A. Kent Waldrep, Jr., Board Chairman, TRC
Ms. Janice Ehlert, Governor's Office of Budget and Planning
Ms. Mary Wolfe, Interim Executive Deputy Commissioner, TRC
Mr. Alex McAlmon, Associate Commissioner, TRC Management Audit



DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

August 19, 2002

Ms. Beverly J. Schulke
Project Manager
State Auditor's Office
1501 N. Congress Avenue
Austin, Texas 78701

Dear Ms. Schulke:

Enclosed is our response to your letter of August 2, 2002 that included your draft report on *State Entity Management of Travel Advance and Petty Cash Funds*. Thank you for including the Texas Department of Transportation in that review and for giving us an opportunity to review and comment on your draft report.

We agree with your recommendations, and have already taken action to implement them. We reduced our travel advance fund by nearly half, and we are reviewing all other accounts to make reductions where appropriate. We are also developing, and by October 2002, will implement new, detailed policies and procedures to ensure implementation of your recommendations. More details on our action plan are included in the enclosed response to your individual findings and recommendations.

We thank your staff for their work and assistance during the review. Diana Napier, Manager, Voucher Processing, will be responsible for implementing corrective action. If you have any questions or need additional information, please contact her at 486-5678 or dnapier@dot.state.tx.us.

Sincerely,

Michael W. Behrens, P.E.
Executive Director

Enclosure
cc: Texas Transportation Commission
Owen Whitworth, CPA, CIA, Director, Audit Office

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TxDOT's Response
To the Findings and Recommendations of the State Auditor's Office
In Their
Draft report on *State Entity Management of Travel Advance and Petty Cash Funds*

Table 2

Weaknesses in Fund Balance Management and Recommendations	
Control Weakness	Recommendation
<p>TxDOT's Fort Worth District Office maintains a \$1,500 petty cash fund balance that had an average monthly activity of only \$224 over an eight-month period for fiscal year 2002. This indicates that the Fort Worth District Office did not review fund activity to determine its current needs.</p>	<p>TxDOT should annually examine its district offices' needs to maintain petty cash funds and should adjust petty cash advance fund balances to align with needs.</p>

Management's Response:

We agree with the recommendation. In fact, in May 2002, TxDOT reduced the Travel Advance Fund by nearly one half (\$74,000). Also we are currently revising the Petty Cash Account Guidelines in our Finance Manual to include several new requirements to ensure proper management of all petty cash accounts. Among these is a requirement that each office review each account monthly and, at least annually adjust the fund as necessary to meet its current operating needs. In addition to a review at the local level, each office will be required to submit an annual report of account activity to our Finance Division. These new guidelines will be submitted to all TxDOT offices not later than October 2002.

Table 3

Weaknesses in Controls over Travel Advance and Petty Cash Funds and Recommendations:	
Control Weakness	Recommendation
<p>TxDOT's Fort Worth District Office maintains a petty cash fund with a balance that exceeds the \$1,500 limit (set by TxDOT) by \$120.</p> <p>TxDOT's Bryan District office did not perform bank reconciliations for the period we reviewed. The Fort Worth Office did not ensure that employees properly reviewed petty cash bank reconciliations.</p> <p>The Fort Worth District Office and the Bryan District Office also do not have adequate documented policies and procedures regarding the proper administration of petty cash funds. For example, their procedures lack authorization requirements, approval levels, and dollar limits.</p>	<p>TxDOT should:</p> <ul style="list-style-type: none"> • Ensure that district offices' petty cash fund balances comply with the limit set by TxDOT • Ensure that its district offices properly prepare, review, and maintain evidence of petty cash bank reconciliations. • Ensure that its district offices document policies and procedures regarding the proper administration of petty cash funds.

Management's Response:

Bullet 1

We agree with the recommendation. We have talked with the personnel responsible for the referenced petty cash account and explained how the situation should have been handled, and have forwarded to them the steps to be taken to resolve this issue. This topic will also be addressed in the Petty Cash Guidelines referenced in our letter and in our response to the recommendation in Table 2.

Bullet 2

We agree with the recommendation. This item will be specifically addressed in the manual revision described earlier. Although each office was verifying some elements of reconciliation, they were not performing a complete and comprehensive reconciliation. The new guidelines will include detailed instructions that provide for a specific format and time table for performing such reconciliations on all accounts by every responsible office. The revision of the Petty Cash Guidelines will provide all our involved offices with the appropriate policies and procedures to ensure the proper administration of Petty Cash Accounts. As stated earlier, this revision will be distributed to all offices not later than October 2002.

Bullet 3

We agree with the recommendation. As mentioned earlier, we are developing new Petty Cash Account Guidelines for our Finance Manual that will be distributed not later than October 2002. Every office responsible for a petty cash account will be directed to be familiar with the policies and procedures set forth in the guidelines, and the reports they must submit to the Finance Division will provide a central review. In addition, the new guidelines are being coordinated with the TxDOT Audit Office with a request that their audits include a review for compliance as appropriate.

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Appendix

Objectives, Scope, and Methodology

Objectives

Our objectives were to determine whether:

- State entities spent travel advance and petty cash funds in accordance with state laws and regulations.
- State entities reported travel advance and petty cash funds accurately.

Texas Government Code, Section 403.250, requires the State Auditor's Office to audit state entities for the proper use of travel advance and petty cash accounts.

Scope

The scope of this audit included examining statewide travel advance funds data for all entities with travel advance fund balances. In addition, we conducted detailed testing of travel advance funds and petty cash funds on site at the following five state agencies:

- The Texas Lottery Commission
- The School for the Blind and Visually Impaired
- The Department of Mental Health and Mental Retardation (Austin State School and Richmond State School only)
- The Rehabilitation Commission (Austin Regional Office and Houston Regional Office only)
- The Department of Transportation (Fort Worth District Office and Bryan District Office only)

We attempted to audit the travel advance and petty cash funds for the five agencies for the period from September 1, 2001, through May 3, 2002. However, if an agency had little or no activity during that period, we expanded our scope to include activity as far back as fiscal years 1999 and 2000. We also analyzed travel advance funds for all state agencies and institutions of higher education for fiscal years 2000 and 2001. This audit did not include a review of information technology systems.

Methodology

The audit methodology consisted of collecting information, performing selected audit tests and other procedures, and analyzing and evaluating the results against established criteria.

Information collected to accomplish our objectives included the following:

- Interviews with agency staff
- Travel advance and petty cash data from the Uniform Statewide Accounting System
- Documentary evidence such as:
 - ♦ Agency logs
 - ♦ Policies and procedures relating to petty cash and travel advance funds
 - ♦ Requests for travel advances and petty cash
 - ♦ Travel vouchers and purchase vouchers
 - ♦ Supporting documentation
- Procedures, tests, and analyses performed included the following:
 - ♦ Risk assessment for the selection of sites to visit
 - ♦ Review of policies and procedures relating to petty cash and travel advance funds
 - ♦ Detailed testing of petty cash and travel advance funds
 - ♦ Analysis of travel advance fund balances held by all state agencies and institutions of higher education
 - ♦ Analysis of petty cash fund balances held by the five state agencies we audited
 - ♦ Physical observations, walk-throughs, and physical counts of petty cash funds
- Information resources reviewed included the following:
 - ♦ Requirements in Texas statutes
 - ♦ Requirements in Comptroller of Public Accounts Account Policy Statement 010
- Criteria to accomplish our objectives included the following:
 - ♦ Agency internal policies and procedures
 - ♦ State guidelines for travel advance and petty cash funds
 - ♦ Statutory requirements

Other Information

We conducted fieldwork from May 2002 through July 2002. We conducted this audit according to applicable professional standards, including generally accepted government auditing standards. There were no significant instances of noncompliance with these standards.

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

- Beverly J. Schulke, CPA (Project Manager)
- Gregory S. Adams, CPA, MBA, CGFM
- Natasha Kelly, MBA
- Joseph Mungai
- Jenay Oliphant
- Leslie Ashton, CPA (Quality Control Reviewer)
- Nick Villalpando, CPA (Audit Manager)
- Frank Vito, CPA (Audit Director)

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Copies of this report have been distributed to the following:

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The Honorable Bill Ratliff, Lieutenant Governor, Vice Chair
The Honorable Rodney Ellis, Senate Finance Committee
The Honorable Florence Shapiro, Senate State Affairs Committee
The Honorable Robert Junell, House Appropriations Committee
The Honorable Rene O. Oliveira, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Comptroller of Public Accounts

The Honorable Carole Keeton Rylander, Comptroller

Office of the Attorney General

The Honorable John Cornyn, Attorney General

Secretary of State

Ms. Gwyn Shea, Secretary of State
Mr. Geoffrey S. Conner, Assistant Secretary of State

The Board Chair and Board Members and the Chancellor, Commissioner, or Executive Director of each of the following entities:

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Board of Public Accountancy
Commission on Alcohol and Drug Abuse
Commission on the Arts
Department of Banking
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Department of Insurance
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Department of Public Safety
Department of Transportation
Employees Retirement System
Office of Public Insurance Counsel
Parks and Wildlife Department
Public Utility Commission of Texas
Racing Commission
Rehabilitation Commission
School for the Blind and Visually Impaired
State Office of Risk Management
Texas A&M University – Commerce
Texas Building and Procurement Commission
Texas Department of Economic Development
Texas Department of Protective and Regulatory Services
Texas Judicial Council Office of Court Administration
Texas Lottery Commission
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Youth Commission



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