

# Audit Report

## Women's Protective Services of Lubbock

---

A Texas Health and Human Services  
Commission Family Violence Program  
Contractor



**Inspector  
General**

Texas Health  
and Human Services

June 30, 2023

OIG Report No. AUD-23-009



# Women's Protective Services of Lubbock

## A Texas Health and Human Services Commission Family Violence Program Contractor

### Results in Brief

#### Why OIG Conducted This Audit

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit and Inspections Division (OIG Audit) initiated this audit in response to its annual risk assessment process and to gain audit coverage of grant contracts awarded by the Texas Health and Human Services Commission (HHSC).

Women's Protective Services of Lubbock (WPS) is an HHSC Family Violence Program contractor that provides crisis intervention, emergency shelter, and support services to battered women and their dependent children in Lubbock, Texas, and surrounding communities. HHSC awarded WPS \$1.07 million in grant funding for services delivered in 2021 and \$1.08 million in grant funding for services delivered in 2022.

#### Summary of Review

The audit objective was to determine whether WPS (a) had financial processes and related controls to ensure compliance with selected rules and contract requirements, and (b) revised the budget for the selected grant to account for Paycheck Protection Program funding.

The audit scope covered the period from April 1, 2020, through August 31, 2022.

#### Conclusion

Women's Protective Services of Lubbock (WPS) had documentation to support the following areas:

- All 210 salary transactions tested were accurate and supported.
- The amount recorded in the general ledger equaled the approved HHSC budget for all 16 employees tested.
- All 60 non-payroll expenses tested were allowable.
- All tested household items purchased under the Pandemic Economic Assistance fund were supported, allowable, and included documentation of client receipt.

WPS' budget was revised to reflect changes due to the additional funding received under the Paycheck Protection Program.

However, WPS did not have sufficient processes and controls in place to ensure (a) assets were secured and tracked, (b) non-payroll expenses were accurate and supported, and (c) grant funds were used efficiently. Specifically:

- A \$1,599.99 laptop computer was not tested promptly. It was opened and discovered to be inoperable after the 30-day warranty had passed. Storing electronic items without first checking for operability increases the risk of ineffective use of funds and potential waste.
- WPS paid \$1,200 for the installation of a heating, ventilation, and air conditioning system that had been purchased in June of 2021 but not installed more than a year later. Paying for installation in advance, without a defined installation date, increases the risk of waste if the service is not provided.
- Of the 76 items observed during on-site testing, 46 (61 percent) were not in use by WPS clients or staff. Of the 46 items, 25 (54 percent) had not been placed in use for 12 months or longer after the purchase date. Insufficient processes and controls related to tracking items purchased creates the potential for waste.

## Background

HHSC awarded a grant contract to provide residential and non-residential family violence services, which were joint state and federal funded. It included amendments for the (a) Coronavirus Aid, Relief, and Economic Security Act; (b) American Rescue Plan; (c) American Rescue Plan "COVID Mitigation," and (d) Pandemic Emergency Assistance Fund.

Additionally, HHSC awarded a separate jointly funded grant contract to WPS to support the Enhanced Family Violence Services project.

WPS also received \$263,900 in Paycheck Protection Program federal funding in 2020. While this funding was not itself subject to this audit, it did require WPS to revise its \$804,049 budget for the 2020 Residential/ Non-Residential Contract. WPS reallocated \$190,983 of HHSC funding from WPS salaries and fringe benefits to professional or contract services, consumable supplies, and other cost categories.

## Management Response

OIG Audit presented preliminary audit results, issues, and recommendations to WPS in a draft report dated June 13, 2023. WPS indicated corrective actions for most recommendations had already been implemented; however, was silent on one recommendation. WPS' management responses are included in the report following each recommendation. OIG Audit communicated other, less significant issues to WPS in a separate written communication.

For more information, contact:  
[OIGAuditReports@hhs.texas.gov](mailto:OIGAuditReports@hhs.texas.gov)

- WPS' expense report included documentation of an order for a storage cabinet totaling \$2,879.96 split between two HHSC grants; however, the order was cancelled and WPS was not charged. WPS' accounting processes did not ensure timely follow up for reconciling items purchased and received.

Weaknesses in WPS' segregation of financial duties included:

- Risk of Management Override: With access to every aspect of the purchasing function and without controls over their authority, the executive director and deputy director roles are not controlled.
- Receiving: Of the 54 tangible expenditures tested 23 (43 percent) were received outside of the WPS business and auditors were unable to verify if the items were received at WPS.
- Credit Card Access: The executive director was reimbursed \$110,478 in 2021 and \$141,952 in 2022 for expenses purchased under the HHSC grants with his personal credit card. WPS asserted that it could not obtain a credit card with a limit over a minimal amount in the entity's name.
- Signature Stamps: Both the executive director and deputy director have signature stamps, which the financial coordinator and financial assistant use. Stamped signatures appeared on accounts payable checks and the financial coordinator's own salary form. WPS did not have a written policy or a process to identify when the financial coordinator or financial assistant is allowed to use signature stamps.

## Recommendations

WPS should:

- Develop and define (a) a process to ensure all items purchased are received, (b) inventory processes for consumable items, and (c) inventory processes for non-consumable assets such as appliances and electronics.
- (a) Repay HHSC \$2,879.96 for the item refunded and determine if there were additional instances of overstating expenses for purchases not completed, (b) work with HHSC to correct its reporting and repay unexpended grant funds, (c) strengthen processes and controls related to receiving, and (d) implement monitoring controls associated with financial processes if segregation of duties is not possible.

# Table of Contents

<b>Audit Overview .....</b>	<b>1</b>
Overall Conclusion	1
Objective and Scope	1
<b>Detailed Audit Results.....</b>	<b>6</b>
Chapter 1: WPS Did Not Have Sufficient Processes and Controls in Place to Track and Safeguard Assets	7
Chapter 2: WPS Did Not Have Sufficient Processes and Controls Over Purchases	13
<b>Appendices.....</b>	<b>20</b>
A: Objective, Scope, and Criteria	20
B: Detailed Methodology	21
C: Report Team and Distribution	23
D: OIG Mission, Leadership, and Contact Information	25

# Audit Overview

## Overall Conclusion

Women's Protective Services of Lubbock (WPS) had support for the allowability of tested expenses and revised its budget to reflect changes due to the additional funding received under the Paycheck Protection Program. However, sufficient processes and controls were not in place to ensure (a) assets were secured and tracked, (b) non-payroll expenses were accurate and supported, and (c) grant funds were used efficiently.

## Key Audit Results

OIG Audit reviewed WPS' documentation as well as policies and procedures for (a) purchasing and receiving grant-funded items, (b) accounts payable, and (c) salaries. WPS complied with requirements related to allowability of and support for purchases and salaries under the contracts tested. However, WPS did not always (a) secure and track assets, (b) report non-payroll expenses accurately or with adequate support, or (c) maintain sufficient controls over use of grant funds.

Specifically:

- WPS did not have a process to track purchases, which resulted in (a) a damaged item not being discovered timely, (b) payment for a service not rendered, and (c) 54 percent of items tested being in storage and unused for more than a year.

### Objective

The audit objective was to determine whether Women's Protective Services of Lubbock, a Family Violence Program contractor, (a) had financial processes and related controls to ensure compliance with selected rules and contract requirements, and (b) revised the budget for the selected grant to account for Paycheck Protection Program funding.

### Scope

The audit scope covered the period from April 1, 2020, through August 31, 2022.

Specifically, for the following timelines, OIG Audit evaluated:

- April 1, 2020, through August 31, 2020: the selected grant budget revision to account for Paycheck Protection Program funding.
- September 1, 2020, through August 31, 2022: financial processes and related controls.

- Inaccuracies in the general ledger processes resulted in WPS reporting \$2,879.96 in its annual funding report for an item that was not received.
- WPS did not have segregation of duties in the accounting functions.

OIG Audit offered recommendations to WPS, which, if implemented, will help WPS comply with grant contract requirements to use resources effectively and efficiently, secure its assets, and have effective controls.

The “Detailed Audit Results” section of this report presents additional information about the audit results and is considered written education in accordance with Texas Administrative Code.<sup>1</sup> In addition, audit issues identified in this report may be subject to liquidated damages or OIG administrative enforcement measures,<sup>2</sup> including administrative penalties.<sup>3</sup> Unless otherwise described, any year referenced is the state fiscal year, which covers the period from September 1 through August 31.

#### **What Prompted this Audit**

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit and Inspections Division (OIG Audit) initiated this audit in response to its annual risk assessment process and to gain audit coverage of grant contracts awarded by HHSC.

OIG Audit presented preliminary audit results, issues, and recommendations to WPS in a draft report dated June 13, 2023. WPS indicated corrective actions for most recommendations had already been implemented; however, was silent on one recommendation. WPS’ management responses are included in the report following each recommendation. OIG Audit communicated other, less significant issues to WPS in a separate written communication.

OIG Audit recognizes the unique challenges that WPS faced as a result of COVID-19, which occurred during the audit scope period. OIG Audit thanks management and staff at WPS for their cooperation and assistance during this audit.

---

<sup>1</sup> 1 Tex. Admin. Code § 371.1701 (May 1, 2016).

<sup>2</sup> 1 Tex. Admin. Code § 371.1603 (May 20, 2020).

<sup>3</sup> Tex. Hum. Res. Code § 32.039 (Apr. 2, 2015).

## Key Program Data

WPS is a Texas Health and Human Services Commission (HHSC) Family Violence Program contractor that provides crisis intervention, emergency shelter, and support services to battered women and their dependent children in Lubbock, Texas, and the surrounding communities. WPS offers the following services:

- 24-hour crisis hotline
- 24 apartments for emergency shelter
- Food, clothing, and emergency transportation
- Counseling, medical, financial, and legal assistance
- Job placement
- Children's activities

WPS provides residential and non-residential services to more than 3,000 clients a year in 12 West Texas counties. Figure 1 shows the WPS service area.

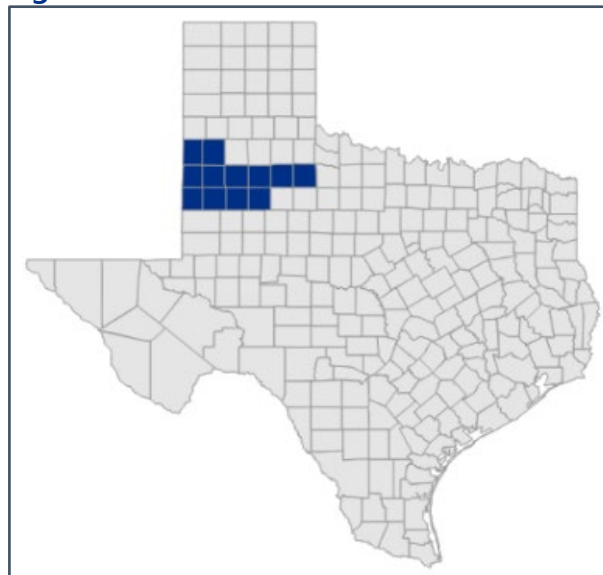
### HHSC Grant Contract Awards

HHSC awarded WPS a contract for the Residential and Non-Residential Family Violence Services Grant Program (Residential/Non-Residential Contract). The grant funds were joint state and federal funds. The following amendments were included:

- The Coronavirus Aid, Relief, and Economic Security Act
- American Rescue Plan
- American Rescue Plan "COVID Mitigation"
- Pandemic Emergency Assistance Fund

HHSC awarded WPS \$1.07 million in grant funding for services delivered in 2021 and \$1.08 million in grant funding for services delivered in 2022.

**Figure 1: WPS Service Area**



Source: OIG Audit



Additionally, HHSC awarded a separate jointly funded grant contract to WPS to support the Enhanced Family Violence Services project.

### Paycheck Protection Program Funding

WPS received \$263,900 in Paycheck Protection Program federal funding in 2020. While this funding was not itself subject to this audit, it did require WPS to revise its \$804,049 budget for the 2020 Residential/Non-Residential Contract. WPS reallocated \$190,983 of HHSC funding from WPS salaries and fringe benefits categories to professional or contract services, consumable supplies, and other cost categories.

Table 1 summarizes the funding associated with the contracts included in the audit scope.

**Table 1: Contract Funds Awarded in the Audit Scope**

Contract	Audit Period	Award Amounts with Budget Revisions	
Residential/Non-Residential Contract	2020	\$ 804,049.00	2020 Total \$804,049
Enhanced Residential/Non-Residential Contract	2021	90,202.86	2021 Total \$1.07 Million
Residential/Non-Residential Contract	2021	883,991.71	
Amendment 1: Coronavirus Aid, Relief, and Economic Security Act	2021	91,956.50	
Amendment 2: Renewal	2022	804,049.00	2022 Total \$1.08 Million
Amendment 3: Addition to Residential/Non-Residential Contract and American Rescue Plan	2022	80,368.00	
Amendment 4: Pandemic Emergency Assistance Fund	2022	100,000.00	
Amendment 5: American Rescue Plan COVID Mitigation	2022	95,402.00	
<b>Total</b>		<b>\$2,950,019.07</b>	

Source: OIG Audit



Table 2 summarizes the approved final reallocated funding for each cost category.

**Table 2: Final Budget Allocation for Funds in the Audit Scope**

Budget Category	Amount
Salaries	\$1,479,027.98
Fringe Benefits	236,488.04
Travel	23,868.99
Professional/Contract Services	68,526.27
Consumable Supplies	545,579.26
Other	596,528.53
Total	\$2,950,019.07

Source: OIG Audit

## Auditing Standards

### Generally Accepted Government Auditing Standards

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.

# Detailed Audit Results

OIG Audit performed testing to determine WPS' compliance with selected grant contract requirements for 2021 and 2022, including:

- Safeguarding assets.
- Controls surrounding selected processes for purchasing and payroll.
- Accuracy, support, and approval for expenses.
- Provision of household items under the Pandemic Economic Assistance Funds.

Tested items purchased and salaries paid with grant funds were allowable, accurate, and supported. Specifically, WPS had documentation to support the following areas:

- **Accuracy and support for salary expenses:** All 210 transactions tested were accurate and supported.
- **Allowability of salary expenses:** The amount recorded in the general ledger equaled the approved HHSC budget for all 16 employees tested.
- **Allowability of non-payroll expenses:** All 60 expenses tested were allowable.
- **Client receipt of items purchased under the Pandemic Economic Assistance Fund:** The household items<sup>4</sup> supplied to the three tested clients were supported, allowable, and included documentation of client receipt.

In addition, OIG Audit tested whether WPS submitted a budget revision for the HHSC grant based on additional federal funding in 2020 from the Payroll Protection Program. WPS submitted a budget revision, which HHSC approved.

However, WPS did not always ensure (a) certain purchased items were tracked or safeguarded or (b) controls over its accounting functions were sufficient. The

---

<sup>4</sup> WPS supplied clients furniture and housewares based on identified client needs.

following sections of this report provide additional detail about the findings of noncompliance.

## **Chapter 1: WPS Did Not Have Sufficient Processes and Controls in Place to Track and Safeguard Assets**

HHSC requires WPS to develop, implement, and maintain systems to ensure the effective and efficient use of resources to deliver services to family violence survivors and their children.<sup>5</sup> According to WPS' contracts with HHSC, applicable administrative requirements include Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,<sup>6</sup> which require costs to be necessary and reasonable for the performance of the federal award.<sup>7</sup> Additionally, as the recipient of federal funds, WPS must (a) provide for effective control over assets and (b) adequately safeguard all assets and assure that they are used solely for authorized purposes.<sup>8</sup>

OIG Audit tested 23 payments for 79 items purchased. Additionally, auditors physically located the items, which included furniture; computers and electronics; appliances; a portable power system; and a heating, ventilation, and air conditioning unit. Out of the 79 items tested, WPS was able to show auditors 76 items during OIG Audit's on-site visit. WPS provided a picture of another selected item, which was ordered during the audit scope and arrived after the on-site visit, to verify it had been received.

---

<sup>5</sup> HHSC Contract No. HHS000380000042, Attachment A § 2.09 (Sept. 1, 2019), as amended, and HHSC Contract No. HHS000683700010, Attachment A § 2.1.6 (Mar. 5, 2020).

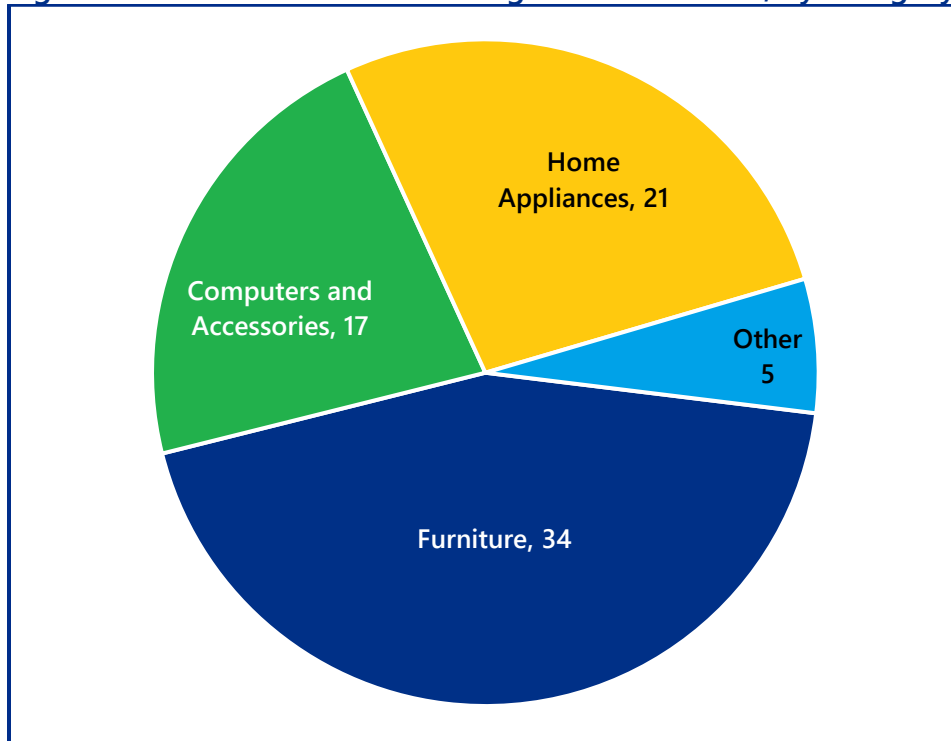
<sup>6</sup> HHSC Contract No. HHS000380000042, Attachment C § 4.1 (Sept. 1, 2019), as amended, and HHSC Contract No. HHS000683700010, Attachment C § 4.1 (Mar. 5, 2020).

<sup>7</sup> 2 C.F.R. § 200.403 (Dec. 26, 2013, and Nov. 12, 2020).

<sup>8</sup> 2 C.F.R. § 200.302 (Dec. 26, 2013, and Nov. 12, 2020).

Figure 2 shows the categories of the 77 items whose presence auditors substantiated.

**Figure 2: 77 Items Available During Audit Fieldwork, by Category**



Source: OIG Audit

## Existence of Purchased Items

WPS was unable to substantiate 2 of 79 items (3 percent) tested. Specifically:

- A laptop computer purchased in July 2021 for \$1,599.99. WPS asserted the laptop did not work, but it was not tested for operability until after its 30-day warranty period had passed. WPS asserted that, as a result, the laptop was disposed of by a third-party recycling organization. Storing electronic items without first checking for operability increases the risk of ineffective use of funds and potential waste.<sup>9,10,11</sup>
- Installation of the heating, ventilation, and air conditioning unit purchased in June 2021. As of November 2022, the unit was in storage, but WPS paid \$1,200 for installation at the time of purchase in June 2021. Paying for installation in advance, without a defined installation date, increases the risk of waste if the service is not provided.

## Received Items Not In Use

Of the 76 items observed during on-site testing, 46 (61 percent) were in storage and not in use by WPS clients or staff. Furthermore, 21 of the 46 items (46 percent) had not been placed in use to serve WPS clients for up to four months after the purchase date, and 25 of 46 items (54 percent) had not been placed in use for 12 months or longer after the purchase date. Most of the items in storage were still in original packaging and had not been opened to determine if the item was in working order.

---

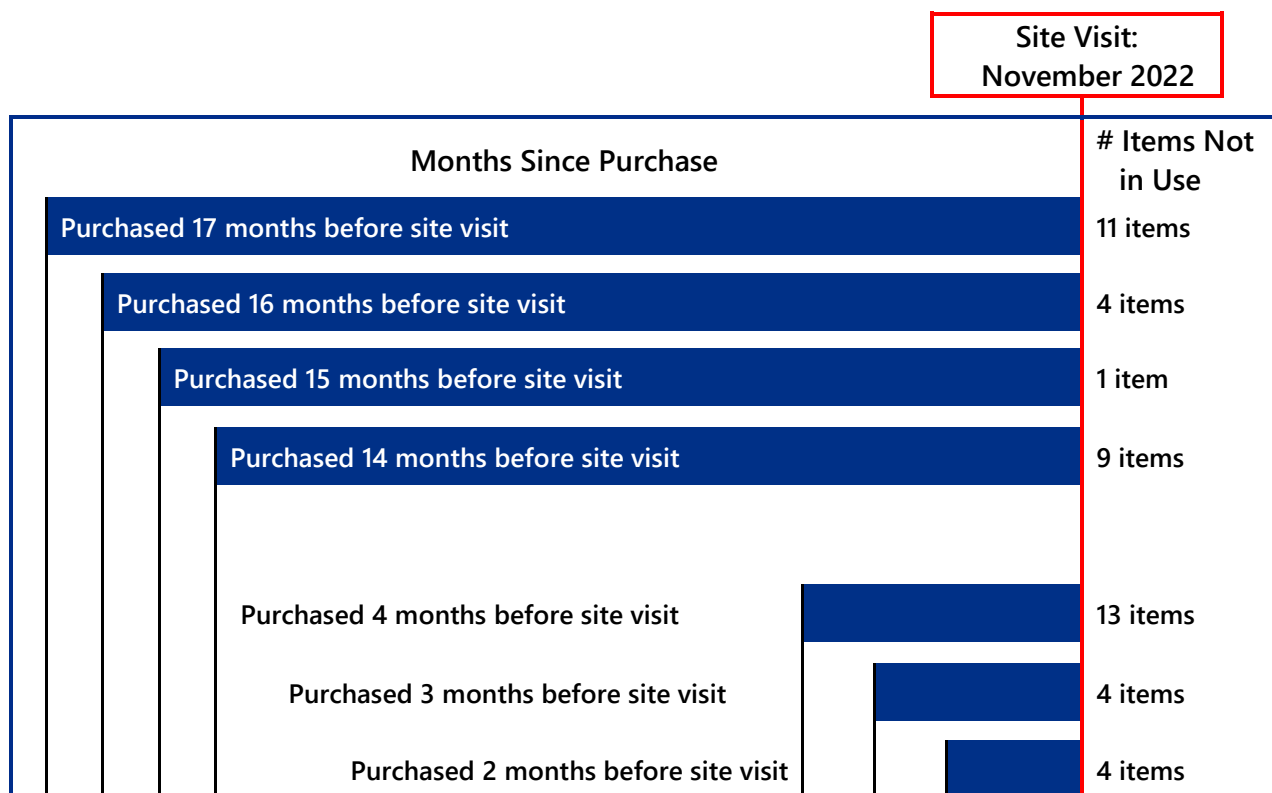
<sup>9</sup> "Waste--Practices that a reasonably prudent person would deem careless or that would allow inefficient use of resources, items, or services," 1 Tex. Admin. Code §371.1(96) (Feb. 12, 2017).

<sup>10</sup> "Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight." U.S. Government Accountability Office, *Government Auditing Standards*, § 8-120, GAO-18-568G (July 2018) and GAO-21-368G (Apr. 2021).

<sup>11</sup> HHSC Contract No. HHS000380000042, Attachment A § 2.09 (Sept. 1, 2019), as amended, and HHSC Contract No. HHS000683700010, Attachment A § 2.1.6 (Mar. 5, 2020).

Figure 3 shows the number of months items were not in use from purchase to the on-site visit.

**Figure 3: Items in Storage**



Source: OIG Audit

With the additional funding provided during the COVID-19 pandemic, WPS asserted it was able to purchase additional shelter supplies, including detergent, bedding, and cooking utensils, as well as replacement furniture and computers for office staff. WPS is required to have systems to ensure the effective and efficient use of resources to deliver services.<sup>12</sup> Costs must be necessary and reasonable for grant performance.<sup>13</sup>

WPS did not have sufficient processes and controls in place for receiving and securing items or tracking assets. Insufficient processes and controls related to

<sup>12</sup> HHSC Contract No. HHS000380000042, Attachment A § 2.09 (Sept. 1, 2019), as amended, and HHSC Contract No. HHS000683700010, Attachment A § 2.1.6 (Mar. 5, 2020).

<sup>13</sup> 2 C.F.R. § 200.403 (Dec. 26, 2013, and Nov. 12, 2020).

receiving and tracking items purchased creates the potential for waste and increases the risk that WPS cannot guard against the unauthorized use or improper disposal of grant-funded items.

## **Recommendation 1**

WPS should develop and define:

- A process to ensure all items purchased are received.
- Inventory processes for consumable items.
- Inventory processes for non-consumable assets such as appliances and electronics. Processes should include verifying the asset is operational.

## **Management Response**

### **Action Plan**

Women's Protective Services ("WPS") has always maintained sufficient internal controls in compliance with HHSC guidelines. However, based on OIG referenced recommendation #1, we have developed a new review, approval, purchase and inventory management process to ensure even greater control. These enhanced controls function to minimize risks, protect assets, ensure accuracy of records, promote operational efficiency, and encourage adherence to policies, rules, and regulations. WPS has implemented the following expanded controls:

- Inventory management process has been strengthened with the hiring of an additional Coordinator
- Inventory management process has been strengthened with the hiring of an additional Advocate
- Purchase Order process has been strengthened with the hiring of an additional Coordinator
- Purchase Order process has been strengthened with the hiring of an additional Advocate
- Purchase Order approval request- Coordinator position has been added to provide additional oversight



- Purchase Order number logging- Coordinator position has been added to provide additional oversight
- Purchase Order copy retained- An additional copy of each Purchase Order is retained by new Coordinator
- Purchase Order creation- New PO signatory section added for segregation of duties and oversight
- Purchase Order approval by additional Coordinator- Increases segregation of duties and provides oversight
- Purchase Orders delegation has been increased to additional separate parties
- Increased more staff to ensure that primary and secondary controls are further implemented throughout the entire process from start to finish
- Internal review process expanded to ensure tasks and processes are performed correctly
- Additional secondary controls added to maintain efficiency of operations
- Increased physical security with new warehouse
- Providing additional training and guidance to staff regarding new procedure

#### **Responsible Managers**

- Executive Director
- Deputy Director

#### **Implementation Date**

December 6, 2022

## Chapter 2: WPS Did Not Have Sufficient Processes and Controls Over Purchases

HHSC requires WPS to develop, implement, and maintain program management systems, including keeping accurate, auditable, correct, and complete records of service access and service delivery.<sup>14</sup> According to Texas Administrative Code, a center must (a) develop, maintain, and comply with a written monitoring system to evaluate the accuracy of the fiscal and programmatic documentation<sup>15</sup> and (b) maintain supporting documentation for all expenditures.<sup>16</sup>

According to WPS' contracts with HHSC, applicable administrative requirements include Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,<sup>17</sup> which directs grantees to establish and maintain effective internal control.<sup>18</sup> Those controls must comply with Standards for Internal Control in the Federal Government, which states that effective internal control provides reasonable assurance that management and personnel will achieve control objectives through the effective stewardship of public resources.<sup>19</sup>

---

<sup>14</sup> HHSC Contract No. HHS000380000042, Attachment A § 2.09 (Sept. 1, 2019), as amended, and HHSC Contract No. HHS000683700010, Attachment A § 2.1.6 (Mar. 5, 2020).

<sup>15</sup> 1 Tex. Admin. Code § 379.204 (Sept. 1, 2013).

<sup>16</sup> 1 Tex. Admin. Code § 379.301 (Sept. 1, 2013).

<sup>17</sup> HHSC Contract No. HHS000380000042, Attachment C § 4.1 (Sept. 1, 2019), as amended, and HHSC Contract No. HHS000683700010, Attachment C § 4.1 (Mar. 5, 2020).

<sup>18</sup> 2 C.F.R. § 200.303 (Dec. 26, 2014, and Nov. 12, 2020).

<sup>19</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G §§ OV1.01 and OV1.03 (Sept. 2014).

Figure 4 shows the grant funding and reporting process for expenses charged against the WPS Residential/Non-Residential Contract and amendments.

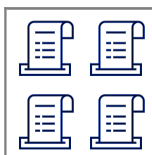
**Figure 4: Grant Funding and Expense Reporting**

MONTHLY

1	2	3
4	5	6
7	8	9
10	11	12


WPS submits **monthly** invoices to HHSC that reflect 1/12th of the budgeted award.

QUARTERLY



WPS submits **quarterly** expense reports, including documentation to support expenditures such as general ledgers and payroll journals.

ANNUALLY



WPS submits an **annual** funding report including actual program expenses. If expenditures are less than the total amount of all advance payments, WPS is required to submit a refund to HHSC for the difference.

Source: HHSC Contract HHS000380000042 and HHSC Family Violence Program

While salaries WPS paid with grant funds were allowable, accurate, and supported, WPS should improve processes and controls over purchasing, specifically non-payroll expenditures and segregation of duties around expenditures.

## Non-Payroll Expenditures

WPS could not support 2 of 60 (3 percent) non-payroll expenditure transactions tested. WPS included the following unsupported expenditures in its expense reports reflected in its Residential/Non-Residential Contract reporting submitted to HHSC:

- WPS' expense report included documentation of an order for a storage cabinet totaling \$2,879.96 split between two HHSC grants; however, the order was cancelled and WPS was not charged. WPS' accounting processes did not ensure timely follow up for reconciling items purchased and received.

- Support for a mileage expenditure claim was insufficient because addresses were not included for the beginning and end points of a trip.

## Segregation of Duties

Segregation of duties divides key functions and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording transactions, reviewing transactions, and handling any related assets so no one individual controls all key aspects of a transaction or event.<sup>20</sup>

WPS asserted that its ability to fully segregate all financial tasks and functions may be limited by having only two management personnel and two financial personnel. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management should design alternative control activities to address the risk of fraud, waste, or abuse in the operational process.<sup>21</sup> To achieve effective segregation of duties, "Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override."<sup>22</sup>

---

<sup>20</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G § 10.03 "Segregation of duties" (Sept. 2014).

<sup>21</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G § 10.12 (Sept. 2014).

<sup>22</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G § 10.13 (Sept. 2014).

Figure 5 outlines the access and approval levels granted to different individuals in WPS' purchasing and payment processes.

**Figure 5: Segregation of Duties in WPS' Purchasing and Payments Processes**

Performs or has Access to	Executive Director	Deputy Director	Financial Coordinator	Financial Assistant
Purchasing	Performs	Performs	Performs	Performs
Receiving	Performs	Performs	N/A	N/A
Approver	Performs	Performs	N/A	N/A
General Ledger Access	Has Access	Has Access	Has Access	Has Access
Check Access	Has Access	Has Access	Has Access	Has Access
Credit Card Access	Has Access	Has Access	Has Access	Has Access
Access to Signature Stamps	Has Access	Has Access	Has Access	Has Access
Reconciles General Ledger	Does not Perform or Approve	Does not Perform or Approve	Performs	Performs

Source: OIG Audit

Weaknesses in WPS' segregation of duties include:

- **Risk of Management Override:** With access to every aspect of the purchasing function and without controls over authority, the executive director and deputy director roles are not controlled.
- **Receiving:** Of the 54 sampled purchases tested:<sup>23</sup>
  - 18 (33 percent) were delivered to the WPS administrative offices or warehouse.
  - 13 (24 percent) were located in existence testing.
  - Auditors were unable to verify whether an additional 23 items (43 percent) were received by WPS. The following items were not included or found in existence testing:
    - 15 were picked up from the seller.
    - 6 were delivered to the executive director's home.
    - 2 did not have the delivery location indicated.

<sup>23</sup> Six tested expenditures were for mileage reimbursement; therefore, delivery location did not apply.

- **Check Access:** While WPS keeps checks in an office with a lock, it did not (a) consistently lock the office, (b) have a sign-out sheet, or (c) reconcile check stock used to approve payments.
- **Signature Stamps:** Both the executive director and deputy director have signature stamps, which the financial coordinator and financial assistant use. Stamped signatures appeared on accounts payable checks and the financial coordinator's own salary form. WPS did not have a written policy or a process to identify when the financial coordinator or financial assistant is allowed to use signature stamps.
- **Credit Card Access:** The financial coordinator and financial assistant order from certain websites with a WPS default payment method. The executive director was reimbursed \$110,478 in 2021 and \$141,952 in 2022 for expenses purchased under the HHSC grants with his personal credit card. WPS asserted that it could not obtain a credit card with a limit over a minimal amount in the entity's name; therefore, the executive director used his personal card.

Significant crossover between the roles and responsibilities may have limited WPS' ability to fully segregate all financial aspects. Applying mitigating controls to checks, signature stamps, credit cards, purchasing, receiving, and administrative access to the general ledger will help ensure that WPS maintains risks at a level that would allow the governing board assurance of effective fiscal management.

## Recommendation 2

WPS should:

- Repay HHSC \$2,879.96 for the refunded storage cabinet and determine if there were additional instances of overstating expenses for purchases not completed.
- Work with HHSC to correct its reporting and repay unexpended grant funds.
- Strengthen processes and controls related to receiving purchases to mitigate risks to an acceptable level.
- Implement mitigating processes and controls associated with financial processes if segregation of duties is not possible.

### Management Response

#### Action Plan

Women's Protective Services (WPS) did not cancel this transaction. The storage cabinets not received were cancelled, without our approval, by the vendor (Office Max). Office Max stated the reason was due to their COVID-19 supply chain logistic issues. Office Max did not notify Women's Protective Services of the cancellation until after the fiscal year end. Supply chain challenges were prevalent among all public and private entities during the global Pandemic. WPS exhausted every reasonable effort to obtain the storage cabinets.

OIG has received all invoices, communications, and supporting documentation regarding this transaction, and Office Max's Pandemic supply chain issue.

Women's Protective Services will work with HHSC Family Violence Division to correct the unexpended grant funds on this transaction.

#### Responsible Managers

- Executive Director
- Deputy Director

#### Implementation Date

July 31, 2023



## **Auditor Comment**

OIG Audit appreciates the disruption to usual business activities the COVID-19 public health emergency caused and WPS's plan to correct the noted error. However, the controls surrounding the accounting process for the cancelled and refunded item was the issue identified in this finding, OIG Audit reiterates its recommendations that WPS implement mitigating processes and controls associated with financial processes if segregation of duties is not possible.

## Appendix A: Objective, Scope, and Criteria

### Objective and Scope

The audit objective was to determine whether Women's Protective Services of Lubbock, a Family Violence Program contractor, (a) had financial processes and related controls to ensure compliance with selected rules and contract requirements, and (b) revised the budget for the selected grant to account for Paycheck Protection Program funding.

The audit scope covered the period from April 1, 2020, through August 31, 2022.

### Criteria

OIG Audit used the following criteria to evaluate the information provided:

- 2 C.F.R. Part 200 (2013, 2014, and 2020)
- 1 Tex. Admin. Code, Chapter 379 (2013)
- HHSC Contract No. HHS000380000042 (2019), as amended
- HHSC Contract No. HHS000683700010 (2020)
- U.S. Government Accountability Office, *Government Auditing Standards*, GAO-18-568G (2018) and GAO-21-368G (2021)
- U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (2014)

## Appendix B: Detailed Methodology

OIG Audit issued an engagement letter to WPS on November 9, 2022, providing information about the upcoming audit, and conducted fieldwork from November 2022 through February 2023.

OIG Audit also reviewed WPS' system of internal controls, including components of internal control,<sup>24</sup> within the context of the audit objectives by:

- Interviewing WPS staff with oversight responsibilities for purchasing, receiving, payroll, approving expenditures, and fiscal administration.
- Reviewing relevant documentation, such as policies and procedures.
- Performing selected tests of purchase orders, invoices, receipt of household items, timesheets, salary forms, and payroll registers.

### Data Reliability

To assess the reliability of data provided by WPS, auditors reconciled WPS audited financial statement data to WPS internal accounting system data and interviewed relevant WPS personnel who were knowledgeable about the systems and data. OIG Audit determined that the data was sufficiently reliable for the purpose of this audit.

### Testing Methodology

OIG Audit collected information for this audit through discussions, interviews, on-site physical observation of purchases, and electronic communications with WPS management and staff.

---

<sup>24</sup> For more information on the components of internal control, see the United States Government Accountability Office's *Standards for Internal Control in the Federal Government*, (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf> (accessed Apr. 16, 2021).

OIG Audit reviewed:

- WPS' grant contracts with HHSC and its relevant processes.
- Supporting documentation for grant expenditures including purchase orders, invoices, receipts, mileage logs, and client receipt logs.
- WPS general ledger information, timesheets, salary forms, and payroll summaries.
- Client receipt documentation for Pandemic Emergency Assistance Fund.

### Sampling Methodology

Auditors selected nonstatistical samples, primarily through risk-based selection. This sample design was chosen to ensure the sample included items with specific characteristics, such as job position, and to address specific risk factors identified in the population, such as expenditure amount and account type. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

## Appendix C: Report Team and Distribution

### Report Team

OIG staff members who contributed to this audit report include:

- Anton Dutchover, CPA, Deputy Inspector General of Audit and Inspections
- Ryan Belcik, CISA, Audit Director
- Tammie Wells, CIA, CFE, Audit Director
- Susan Parker, CPA, Senior Managing Auditor
- Saul Guerrero, CFE, Audit Project Manager
- Maria Brunetti, Associate Auditor
- Shaun Craig, Associate Auditor
- Karen Mullen, CGAP, CIGA, Quality Assurance Reviewer
- Jim Hicks, CISA, Quality Assurance Reviewer
- Mo Brantley, Senior Audit Operations Analyst

### Report Distribution

#### Health and Human Services

- Cecile Erwin Young, Executive Commissioner
- Kate Hendrix, Chief of Staff
- Maurice McCreary, Jr., Chief Operating Officer
- Jordan Dixon, Chief Policy and Regulatory Officer
- Karen Ray, Chief Counsel
- Michelle Alletto, Chief Program and Services Officer
- Nicole Guerrero, Chief Audit Executive
- Crystal Starkey, Associate Commissioner, Family Health Services

- Megan Bermea, Director, Family Health Services
- Kelsii Dilley, Manager, Family Health Services

#### **Women's Protective Services of Lubbock<sup>25</sup>**

- Executive Management
- President, Board of Directors

---

<sup>25</sup> Per Tex. Human Resources Code § 51.007 (Apr. 2, 2015), HHSC may not disclose the name of a person working at, or a board member of, a family violence center.

## Appendix D: OIG Mission, Leadership, and Contact Information

The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Inspector General
- Kacy J. VerColen, Chief of Audit and Inspections
- Diane Salisbury, Chief of Data Reviews
- Susan Biles, Chief of Staff, Chief of Policy and Performance
- Erik Cary, Chief Counsel
- Matt Chaplin, Chief of Operations
- Steve Johnson, Chief of Investigations and Utilization Reviews

### To Obtain Copies of OIG Reports

- OIG website: [ReportTexasFraud.com](https://reporttexasfraud.com)

### To Report Fraud, Waste, and Abuse in Texas HHS Programs

- Online: <https://oig.hhs.texas.gov/report-fraud-waste-or-abuse>
- Phone: 1-800-436-6184

### To Contact OIG

- Email: [oig.generalinquiries@hhs.texas.gov](mailto:oig.generalinquiries@hhs.texas.gov)
- Mail: Texas Health and Human Services  
Office of Inspector General  
P.O. Box 85200  
Austin, Texas 78708-5200
- Phone: 512-491-2000