

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Aleks Nećak

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# Post-Payment Audit of the Fourteenth Court of Appeals



**Susan Combs**  
Texas Comptroller of Public Accounts

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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Fourteenth Court of Appeals (Court) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning March 1, 2013, through Feb. 28, 2014, to determine compliance with applicable state laws.

The Court received appendices with its full report that included a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Court should implement the recommendations listed in the Detailed Findings of this report. It is the Court's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Texas Comptroller of Public Accounts (Comptroller's office) may take the actions set forth in Texas Government Code Annotated, Section 403.071(h) (Vernon 2013), to ensure that the Court's documents comply in the future. The Court must ensure that the findings discussed in this report are resolved.

*Texas law requires the Comptroller's office to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.*

## Payroll transactions and deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

- No issues were identified.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

## Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Two transactions that processed payments for unauthorized expenditures.
- One document that processed employee awards exceeding the statutory limit.

## Travel transactions

Travel transactions were audited for compliance with the GAA, [Textravel](#) and other pertinent statutes.

- No issues were identified.

## Internal control structure

The Court's internal control structure was reviewed. The review was limited to obtaining an understanding of the Court's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Two employees who had the ability to:
  - Process and release payments through USAS
  - Pick up warrants from the Comptroller's office and approve vouchers
  - Process and release payrolls
- One employee who had the ability to adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.

## Fixed assets

The audit included a limited review of fixed assets acquired by expenditures during our audit period to test for accurate reporting in the State Property Accounting (SPA) System and to verify existence of the assets.

- All assets tested were in their intended location.

## Prior post-payment audit and current audit recurring errors

A prior post-payment audit of the Court's payroll, purchase and travel transactions was concluded on Aug. 23, 2010.

During the current audit, the following recurring error was identified:

- Control weakness over expenditure processing.

In prior audits, the Court acknowledged that in a small agency it is often challenging to have the staff available to maintain a complete separation of duties at all times. However, the Court has taken additional precautions outside the accounting systems to mitigate the risk to the extent possible.

**Contact:**  
Aleks Nećak, CTP  
512-936-4450

**Contributing Auditor:**  
Eunice Miranda

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## DETAILED FINDINGS — PURCHASE

### Unauthorized Expenditure

#### Finding

We identified two transactions within the purchase group where the Court reimbursed an employee for the purchase of items the Court did not have the legal authority to purchase.

Both transactions were for the purchase of holiday items such as Christmas trees, lights and decorations. The Court determined that both payments resulted from an oversight.

Unless a state purpose and statutory authority exists, a state agency is not authorized to purchase these items. See Opinion of Texas Attorney General No. C-557 (1965) and [eXpendit – Statutory Authority for Purchases](#).

#### Recommendation/Requirement

The Court must determine whether it has the legal authority to make a payment or reimbursement before processing. The Court must obtain a reimbursement from the employee unless it determines it is not cost effective to do so.

#### Court Response

*The Court will ensure it has the legal authority to make a payment or reimbursement for future expenditures. Typically, the clerical employee who made the purchase purchased only paper goods, which the Court does have legal authority to purchase because paper is consumable. The purchase price of the unauthorized items will be reimbursed (not all items on the receipt were unauthorized). To ensure future compliance, the clerical employee will no longer purchase items on behalf of the Court.*

## Excessive Employee Awards

### Finding

We identified one purchase document in which the Court exceeded the allowable amount set for employee awards. The Court ordered multiple clothing items for nine of its employees. The Court thought that the former \$50 limit was still in place and that it could order multiple clothing items for each employee as long as each individual item did not exceed the allowable amount. This resulted in nine employees receiving multiple items; the combined cost exceeded the current statutory limit set for the employee awards.

A state agency may use appropriated money to purchase service awards, safety awards or other similar awards to present to its employees for professional achievement or outstanding service. The agency must adopt policies governing the awards, and the awards may be given only to current employees. The awards may not cost more than \$100 for an individual employee. See [eXpendit – Employee Awards](#).

### Recommendation/Requirement

In the future, the Court must ensure that the amount paid for the employee awards does not exceed the set limit per employee.

### Court Response

*Court personnel will review the sections of eXpendit pertaining to employee awards. In the future, the Court will ensure that the amount paid for the employee award does not exceed the set limit per employee, which is \$100 per individual employee.*

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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations the Court placed on its accounting staff members' abilities to process expenditures. We reviewed the Court's security in USAS, USPS and TINS and its voucher signature cards that were in effect on March 24, 2014. We did not review or test any internal or compensating controls that the Court may have relating to USAS, USPS or TINS security or internal transaction approvals.

Two employees had the ability to:

- Process and release payments through USAS,
- Process and release payrolls and
- Pick up warrants from the Comptroller's office and approve vouchers.

Another employee had the ability to adjust payment instructions in TINS and approve paper vouchers.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practical. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person's involvement.

We ran a report to determine whether any of the Court's payment documents processed through USAS during the audit period because of the action of only one individual. The report indicated that six USAS documents totaling \$15,542.30 were processed without electronic oversight. We reviewed a sample of these documents and determined they were valid.

#### Recommendation/Requirement

The Court should periodically review its controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

The Court may request that a preventative control be enforced for all of its transactions in USAS. If an agency requests the control, an edit will prevent the release of a document that the same user entered or altered, or warn when this is about to occur.

## Court Response

*The Fourteenth Court of Appeals is a small judicial branch entity. Most administrative functions are handled by the Chief Justice, Clerk of Court or the Accountant. The small number of individuals responsible for these duties requires that each individual have significant authority and that the approval processes be direct and short. All purchases, travel expenditures and payroll actions follow an approval process requiring multiple persons for approval and processing.*

*Though adding these duties to another member of the administrative team would strain the Court's resources, the Chief Justice is exploring options that would enable another staff member to share in these duties so that when one of the various authorized individuals is absent or unavailable, the Court still could ensure that no single individual is able to process payments without oversight.*

*The Court will periodically review its controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight. The Court also will request that a preventative control be enforced for all of its transactions in USAS that will warn the user when the release of a document is requested by the same user who entered or altered the document.*

*If a situation occurs in which the release of a document is requested by the same user who entered or altered the document, that user will notify the Clerk of Court or Accountant who will review the document as soon as practicable to ensure the transaction was valid.*