

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Ben Strauser

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# Post-Payment Audit of Court of Criminal Appeals



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Court of Criminal 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 Sept. 1, 2012, through Aug. 31, 2013, to determine compliance with applicable state laws.

The Court received appendices with the 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 payroll deductions

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

- No issues were identified.

A 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:

- One purchase order changed after the invoice was received.

## Travel transactions

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

The audit identified:

- One reimbursement in excess of the allowable rate.
- Four reimbursements for expenses not payable.
- One transaction missing documentation.
- Two non-overnight meal reimbursements processed incorrectly.

## Grant transactions

The audit included a limited review of the Court's transactions relating to grant payments. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Court's procedures for awarding the grants or monitoring payments made to grantees; therefore, no opinion is being offered on those procedures.

- 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:

- One employee who had the ability to:
  - ◇ Process and release payments through USAS.
  - ◇ Adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.
  - ◇ Process and release payrolls.
  - ◇ Pick up warrants from the Comptroller's office and approve paper vouchers.
- One employee who had the ability to:
  - ◇ Process and release payments through USAS.
  - ◇ Adjust payment instructions in TINS and approve paper vouchers.
  - ◇ Process and release payrolls.
- One employee who had the ability to:
  - ◇ Pick up warrants from the Comptroller's office and approve paper vouchers.
- The Confidential Treatment of Information Acknowledgement (CTIA) form was not signed in a timely manner for two employees.

## 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 and properly recorded in SPA.

## Direct deposit authorization

A review was conducted of the Court's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The audit identified:

- Four instances in which the Court used an outdated version of the direct deposit setup form which did not adhere to the National Automated Clearing House Association rules requiring the identification of a direct deposit payment if it is an International Automated Clearing House transaction.

## 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 Dec. 21, 2009.

During the current audit, we found four recurring errors:

- Missing travel documentation.
- Non-overnight meal reimbursements processed incorrectly.
- Travel reimbursement in excess of the allowable rate.
- 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.

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## DETAILED FINDINGS — PURCHASE

### Purchase Order Changed After Invoice Received

#### Finding

We identified one transaction where the Purchase Order (PO) was changed to increase the amount after the invoice was received. According to the Court, a PO was created prior to the purchase. However, the vendor sent the agency more items than it requested and was charged accordingly. The PO was changed to match the invoice.

In instances where the vendor ships more items than authorized in the PO, the Court should either return the additional items or, if it determines it would like to keep the items, then the Court should immediately issue a properly approved PO change notice to document the new cost.

It is the general responsibility of a state agency and its officers and employees to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper and fiscally responsible.” See 34 Texas Administrative Code, Section 5.51(c) (1) (D) (2013).

#### Recommendation/Requirement

While a formal purchase agreement is not required, documentation of the purchase agreement must be prepared at the time the goods or services are ordered from the vendor. The Court should document any amendments to the original PO, including signatures and dates, prior to the vendor performing the services or providing the goods.

#### Court Response

*We agree with the finding.*

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## DETAILED FINDINGS — TRAVEL

### Reimbursement in Excess of Allowable Rate

#### Finding

We identified one reimbursement for a travel expense that was in excess of the allowable rate. The Court reimbursed an employee for lodging in excess of the amount allowed for the locality. The Court stated this was the result of an oversight.

The reimbursement may not exceed the Comptroller's maximum reimbursement rate for the employee's duty point. See [Texttravel – Meals and Lodging](#).

#### Recommendation/Requirement

We recommend that the Court continue to review all vouchers submitted into USAS for reimbursement to ensure that only expenditures that comply with state laws and rules are included in the entries. The Court should seek reimbursement for the excessive amount unless it determines it is not cost effective to do so.

#### Court Response

*We agree with the finding.*

## Expenses Not Payable

### Finding

We identified three travel reimbursements for expenses incurred within the employee's designated headquarters. Lodging and meal expenses can only be reimbursed when an employee conducts official state business at a duty point located outside of the employee's designated headquarters. See [Textravel – Meals and Lodging](#). The Court stated that they were unaware that these expenses were not reimbursable.

The Court also reimbursed an employee for an “earlybird” check-in fee on a Southwest Airlines flight. The Court could not provide a business reason for this expense. Pursuant to Government Code, Section 660.002, a state employee is entitled to be reimbursed for incidental expenses when they are incurred for a state business reason. The Court stated that they reimbursed the expense because of an oversight.

### Recommendation/Requirement

The Court must increase training for the individuals who review travel vouchers to ensure that only eligible expenses are reimbursed. The Court must seek a reimbursement from the employee unless it determines it is not cost effective to do so.

### Court Response

*We agree with the finding.*

## Missing Documentation

### Finding

We identified one reimbursement for a lodging expense that did not include a receipt or other documentation necessary to determine whether the reimbursement was correct.

Without proper payment documentation, we could not determine whether the reimbursement was an accurate reflection of the expense incurred by the traveler. For a state employee to be reimbursed for a lodging expense, the employee must provide proof of payment. See [Texttravel – Lodging receipt requirements](#).

The Court stated that they reimbursed the expense without proper documentation due to an oversight. The Court obtained a receipt during the fieldwork portion of the audit verifying that the reimbursement was correct.

### Recommendation/Requirement

The Court must ensure that employees' travel vouchers include all necessary receipts and other documentation prior to reimbursement. The Court must create procedures to ensure that employees follow this requirement.

### Court Response

*We agree with the finding.*

## Improper Processing of Non-Overnight Meal Reimbursements

### Finding

We identified two transactions where the Court used a travel document instead of a payroll document to reimburse the meal expenses for non-overnight travel. As a result, payroll taxes for these transactions were not withheld.

A state employee may be reimbursed for non-overnight meal expenses. If an employee on non-overnight travel receives reimbursement for meals, this amount would be considered income and must be reported on his or her W-2 tax form.

See [Texttravel – Non Overnight Travel](#).

Processing the payment on a payroll document will accommodate withholding Federal Insurance Contribution Act (FICA) and federal income taxes. The Court was unaware of this requirement for non-overnight meal reimbursements.

### Recommendation/Requirement

The Court should establish internal procedures to ensure non-overnight meal expenses are properly processed. The Court may inquire about registering for training related to this finding through the [Fiscal Management Training Center](#).

### Court Response

*We agree with the finding.*

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## DETAILED FINDINGS — INTERNAL CONTROL STRUCTURE

### Control Weakness Over Expenditure Processing/CTIA Form Not Signed Timely

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that 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 Oct. 11, 2013. 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.

One employee had the ability to:

- Process and release payments through USAS.
- Adjust payment instructions in TINS and approve paper vouchers.
- Process and release payrolls.
- Pick up warrants from the Comptroller's office and approve paper vouchers.

Another employee had the ability to:

- Process and release payments through USAS.
- Adjust payment instructions in TINS and approve paper vouchers.
- Process and release payrolls.

Another employee had the ability to:

- Pick up warrants from the Comptroller's office and approve paper vouchers.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate 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 two USAS documents totaling \$579.38 and one USPS document totaling \$496,834.62 were processed without electronic oversight. We reviewed these documents and determined they were valid.

As a routine part of our security review, we reviewed the Court's compliance with the requirement that all agency users of the Comptroller's statewide financial systems complete a Confidential Treatment of Information Acknowledgement (CTIA) form. For employees and contractors who require access to the Comptroller's statewide financial systems, the agency's security coordinators must have a signed CTIA form from every user on file at their

agency prior to granting access to the systems. A reviewing official also signs the agreement, which the agency's security coordinator keeps on file for as long as the user has access to the systems, plus five years. The Court did not obtain a signed CTIA form prior to granting access to the systems for two employees. The Court had the employees sign the form as a result of the audit.

### **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.

Additionally, the Court should complete CTIA forms for employees before they are granted access to any Comptroller system.

### **Court Response**

*We agree with the finding.*