

Fiscal Management Division  
Expenditure Audit Section  
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Audit Report # 228-16-01  
November 12, 2015

# Post-Payment Audit of the Eighth Court of Appeals



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## EXECUTIVE SUMMARY

### Audit scope

We audited a randomly-generated sample of the the Eighth 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 June 1, 2014, through May 31, 2015, to determine compliance with applicable state laws.

### Payroll transactions and payroll 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 deductions was also audited.

- No issues were identified.

*Texas law requires the Texas Comptroller of Public Accounts (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.*

### Purchase transactions

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

- No issues were identified.

### Travel transactions

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

- No issues were identified.

### Direct deposit authorization forms

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:

- Three instances where individuals failed to indicate whether the funds would be forwarded to financial institutions outside the United States.

These forms did not adhere to the National Clearing House Association rules requiring the identification of a direct deposit payment if it is an International Automated Clearing House transaction.

### Fixed assets

The audit included a review of a limited number of fixed assets acquired by the Court during the audit period to test for proper tracking in the Court's internal system. The Court reported one asset as stolen, with a net book value of \$513.98. The Court provided a police report for the stolen asset.

### 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 certain areas of risk involving the internal control structure and its segregation. The Court had designated two employees with multiple security capabilities, including having the ability to:

- Process and release payments in USAS and USPS without oversight.
- Adjust payment instructions in the Texas Identification Number System (TINS).
- Approve paper vouchers.

This condition will continue to be a recurring audit finding for the Court due to the size and structure of the Court. However, the Court has implemented controls to help reduce the risk associated with this audit finding and ensure that each task associated with the expenditure process is segregated. The Court currently has an employee who is responsible for entering the payments into the systems, and another employee who is limited to releasing the payments.

The Court should review the 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 should request that a preventative control be enforced for all 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. See [USAS Accounting and Payment Control \(FPP B.005\)](#) about reducing risks to state funds.

In addition, we ran a report to determine whether any of the Court's payment documents processed through USAS or USPS during the audit period because of the action of only one person. No payments in USAS or USPS processed because of the action of one employee.

## **Prior post-payment audit and current audit recurring findings**

A prior post-payment audit of the Court's payroll, purchase and travel transactions was concluded on Oct. 18, 2011.

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

- Control weakness over expenditure processing.

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