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Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of the Seventh Court of Appeals



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Seventh 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, 2014, through Feb. 28, 2015, 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. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), 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 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.

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.

The audit identified:

- Underpayment of longevity pay.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

Purchase transactions and revenue refunds 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.

Security

The audit included a security review to identify any of the Court's employees with security in USAS, USPS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

The review identified:

- One employee who retained security to expend funds in USAS after authority expired.

Fixed assets

The audit included a review of a limited sample 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, location and proper reporting of the fixed assets.

- All of the assets tested were in their intended location and properly recorded in SPA.

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 review 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, and
 - Process and release payrolls.
- One employee who had the ability to adjust payment instructions in TINS and approve paper vouchers.

Direct deposit authorization forms

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

The review identified:

- One employee who did not have the International Payments Verification section completed on the direct deposit authorization form as required by the National Automated Clearing House Association rules.

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 Nov. 10, 2011.

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

- Missing documentation of prior state service.

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DETAILED FINDINGS — PAYROLL

Incorrect Longevity Payment Amount

Finding

We identified one employee who noted prior state service on the job application but did not receive credit for this time. The Court's procedures include obtaining prior state service verifications whenever an employee indicates previous state employment. In this instance, the Court overlooked the employee's previous state employment while reviewing the documentation.

The additional service time resulted in an underpayment of longevity pay in the amount of \$160.00 for the duration of employment with the Court; \$60.00 was underpaid during the audit period, while \$100.00 was underpaid outside of the audit period. Because of the audit, the Court verified the additional prior state service, made the required adjustments and compensated the employee for the underpayment of longevity pay.

When an agency hires an employee, the agency must research if the employee has previous state employment. If an employee has prior state employment, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

We provided the Court with the schedule and calculations of the longevity underpayment during fieldwork. The schedule and calculations are not included with this report due to confidentiality issues.

Recommendation/Requirement

The Court should review all current and new employee job applications and resumes for prior state service and ensure it is properly recorded.

Court Response

The Court agrees with the findings.

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 that the Court placed on its accounting staff members' abilities to process expenditures. We reviewed the Court's security in USAS, USPS, TINS and voucher signature cards that were in effect on April 16, 2015. 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, and
- Process and release payrolls.

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

The Court stated that it did not have enough staff to segregate the duties to any greater level than it has already done. We ran a report to see whether any of the Court's payment documents were processed through USAS or USPS during the audit period because of the action of only one person. No payments processed because of the action of one employee.

To reduce risks to state funds, agencies should place controls over expenditure processing to segregate each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.

Recommendation/Requirement

The Court should periodically 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 of its USAS transactions. If an agency requests the control, an edit will prevent the release of a document that the same user entered or altered. To find out about reducing risks to state funds, see [USAS Accounting and Payment Control \(FPP B.005\)](#).

Court Response

The Court agrees with the findings.

Employee Retained Security to Expend Funds After Authority Expired

Finding

During the audit period, the Court did not timely submit a request to the Comptroller's office to remove one employee's USAS security. As a result, the employee retained security to expend funds after authority expired. The request must be sent on or before the effective date of an employee's termination or revocation; in this case, the security request was not sent on time. This permitted the employee to approve any vouchers the Court submitted electronically to the Comptroller through USAS for one day after the authority expired. No transactions were processed by the former employee after the termination date.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See 34 Texas Administrative Code, Section 5.61(k)(5)(A)-(B).

The Court has procedures to notify the security coordinator of personnel actions. In this instance, the request to remove the employee's security was delayed because the security coordinator was on vacation and was physically unable to remove the employee from the signature cards in a timely manner.

Recommendation/Requirement

The Court must ensure that the person responsible for sending requests to revoke security to the Comptroller's office is aware of the designated employee's termination or revocation on or before the effective date. The Court must also follow through with the Comptroller's office to ensure receipt of the request and removal of the employee's security.

Court Response

The Court agrees with the findings.