

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Aleks Nećak

Audit Report # 224-18-01
August 3, 2018

Post-Payment Audit of the Fourth Court of Appeals



Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Audit scope.....	i
Payroll transactions and payroll deductions	i
Purchase transactions	i
Travel transactions.....	i
Travel card transactions.....	ii
Security.....	ii
Internal control structure.....	ii
Fixed assets.....	ii
Prior post-payment audit and current audit recurring finding.....	ii

Detailed Findings — Internal Controls

Control Weakness Over Expenditure Processing.....	1
---	---

EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Fourth Court of Appeals (Court) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Standardized Payroll/Personnel Reporting System (SPRS) during the period beginning Sept. 1, 2016, through Aug. 31, 2017, to determine compliance with applicable state laws.

The Court receives appendices with the full report that includes 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 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

Forty-seven 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.

Purchase transactions

Thirty purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

- No issues were identified.

Travel transactions

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

- No issues were identified.

Travel card transactions

The travel card 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 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.

- 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:

- Three employees could process and release payments through USAS.
- Three employees could process and release payrolls.
- Three employees could pick up warrants from the Comptroller's office and approve vouchers.
- Two employees could adjust payment instructions in Texas Identification Number System (TINS) and approve vouchers.

Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the Court's internal system. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System.

- No issues were identified.

Prior post-payment audit and current audit recurring finding

A prior post-payment audit of the Court's payroll, purchase and travel transactions was concluded on Dec. 5, 2012. During the current audit, the following recurring finding was identified:

- Control weakness over expenditure processing

Contact:
Aleks Nećak
(512) 936-4450

Contributing Auditors:
Shanda Hernandez

DETAILED FINDINGS — INTERNAL CONTROLS

Control Weakness Over Expenditure Processing

Finding

As part of our planning for the post-payment audit, we reviewed certain limitations that the Court placed on its accounting staff's ability to process expenditures. We did not review or test any internal or compensating controls that the Court may have relating to USAS, SPRS, Centralized Accounting and Payroll/Personnel System (CAPPs) or TINS security or internal transaction approvals.

During the audit period, we identified three employees with multiple security capabilities, including:

- Three employees could process and release payments through USAS.
- Three employees could process and release payroll transactions.
- Three employees could pick up warrants from the Comptroller's office and approve vouchers.
- Two employees could adjust payment instructions in TINS and approve vouchers.

The Court received a schedule of these findings during fieldwork. The Court stated that the small number of employees makes it difficult to segregate the responsibilities in USAS, SPRS, CAPPs and TINS. However, the Court has set up internal procedures to safeguard the process.

We also 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. No issues were identified.

Recommendation/Requirement

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

We strongly recommend that the Court implement the following recommendations:

1. The Court should elect to have the document tracking control edit on the Agency Profile (D02) set to either:
 - Prevent a user from releasing a batch that the same user entered or altered for the agency;
 - OR-
 - Warn the user when the same user attempts to release his or her own entries or changes. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

The Court should review the preventive and detective controls over expenditure processing discussed in [FPP B.005](#).

2. The Court should ensure that employees with access to process payroll files are not able to approve/release payrolls as well. A supervisor or another employee should be approving files in the internal system.
3. The Court should limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the ability to release/approve vouchers in USAS from the user.
4. The Court should limit user access to either enter/change voucher or release/approve batches and should limit the access of users who can enter/change voucher or release/approve batches in USAS to view-only access in TINS (PTINS02). An individual must not be able to create a vendor or change a vendor profile, create a payment and approve the payment.

Court Response

The finding references a control weakness in expenditure processing that was determined in the 2012 Post-Payment Audit. The Court's internal operating procedures dictate approval for all transactions are facilitated by someone other than the person who enters the transaction in USAS. However, the court is very small with a limited number of finance personnel. This necessitates at least two employees (Clerk of the Court and Chief Deputy Clerk) have the authority to enter and release USAS transactions. Otherwise, we would lack the necessary depth in staffing to facilitate financial transactions should one person be absent for an extended period.

As recommended in the post-payment audit findings, the Court requested a preventative control be implemented for all transactions in USAS that warn the user when the same user attempts to release his or her own entries. This measure has been in place since January 2013.

Comptroller Response

The Comptroller's office appreciates the Court's past action to mitigate the security risks. However, the risks associated with one person having multiple security capabilities still exist, and the Court should consider implementing additional controls. Please see [USAS Accounting and Payment Control \(FPP B.005\)](#) for additional controls, such as the use of the Risky Document Report (DAFR9840) monitoring report. The Court should also make all efforts, as recommended above, to segregate payroll functions, limit user access to the Warrant Pick Up List and the Signature Card, limit user access to creating/changing vendor profile and creating/processing payment vouchers.