

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of the Office of Court Administration



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Office of Court Administration (Office) 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 June 1, 2016, through May 31, 2017, to determine compliance with applicable state laws.

The Office 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 Office should implement the recommendations listed in the Detailed Findings of this report. It is the Office'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 Office's documents comply in the future. The Office 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

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

The audit of 146 payroll transactions identified:

- No issues were identified.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase, grant and fee transactions

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

The audit of 32 purchase, grant and fee transactions identified:

- No issues were identified.

Travel and mileage transactions

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

The audit of 30 travel and mileage transactions identified:

- No issues were identified.

Payment card transactions

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

The audit of 10 payment card transactions identified:

- No issues were identified.

Prompt payment transactions

We audited the Office's compliance with the prompt payment law and scheduling rules.

The audit of 32 purchase transactions identified:

- One instance where interest was not paid.

Special reports

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

The audit identified:

- Incorrect billing account number.

Security

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

The audit identified:

- One employee could adjust payment instructions in the Texas Identification Number System (TINS) and approve vouchers.

Fixed assets

The audit included a limited number of fixed assets acquired by the Office during the audit period. Their physical existence and use for state business was verified. 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 findings

A prior post-payment audit of the Office's payroll, purchase and travel transactions was concluded on Aug. 18, 2014.

During the current audit, no recurring findings were identified.

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DETAILED FINDINGS — PROMPT PAYMENT

Prompt Payment

Finding

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#).

In our sample of 32 purchase transactions, we identified one transaction for the eFile Texas Program that was paid late but \$44,743.74 in interest was not paid to the vendor. According to the Office, this error occurred due to cash flow difficulties, revenue shortfalls and timing issues.

In addition, the State Auditor's Office (SAO) issued a report "An Audit Report on Financial Processes at the Office of Court Administration" SAO Report No. 17-048, Issued Aug. 2017. In the report, the SAO found, "The Office did not have adequate processes and controls over statewide electronic filing system revenue collection and contractor payments." According to the SAO, the Office did not comply with requirements in [Texas Government Code, Chapter 2251](#) (the Prompt Payment Act), on payments it made to the eFile Texas Program's vendor, and as of March 31, 2017, the Office had accrued \$531,492 in interest owed to the vendor.

During the audit period, the Office paid \$76.54 in automatic prompt payment interest.

Recommendation/Requirement

The Office must review its procedures to ensure it submits payment information for processing in a timely manner to avoid incurring interest liabilities. In addition, the Office must verify that proper due dates are entered to ensure, if interest is due, it is paid correctly to the vendors in compliance with [Texas Government Code, Chapter 2251](#).

Office Response

The OCA agrees with this finding and recommendation. Agency accounting and management staff have been trained on the rules and regulations regarding payment scheduling and prompt payment interest. This particular instance was related to revenues being insufficient to cover contract expenses; however, the agency does not anticipate future cash flow issues. As of April 4, 2018, the OCA has paid all outstanding prompt payment interest to the vendor.

DETAILED FINDINGS — SPECIAL REPORTS

Incorrect Billing Account Number

Finding

We ran a report outside of the sample to identify potential payments processed incorrectly to third-party vendors during the audit period. During our review of this report, we identified 18 vouchers consisting of 214 transaction lines which were processed incorrectly to the state's payment card vendor. The incorrect payments totaled \$49,440.66. The Office failed to provide the correct billing account number as prescribed by [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) and [USAS and CAPPs Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the vendor may not be able to directly post payments to the Office's payment and travel card accounts. The Office stated that the errors occurred due to human error and insufficient training.

Recommendation/Requirement

The Office must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#) and [FPP E.023](#). To avoid any account delinquency or reconciliation issues, we recommend the Office review payment card statements to ensure the payments were posted correctly.

Office Response

The OCA agrees with this finding and recommendation. Two of the transactions occurred in the agency's previous accounting system and were due to a missing semicolon that caused the export file to misread the invoice field. The remaining transactions occurred after the agency implemented CAPPs Financials and were due to insufficient in-house data-entry training on payment card vouchers. Agency staff have since been re-trained on these FPPs and re-instructed on processing payment card vouchers in CAPPs. Additionally, the department has added documentation to internal training materials to address these two FPPs specifically. The OCA's payment card statements are reconciled monthly as a standard business practice, and all payments have been verified and posted to the agency's accounts.

DETAILED FINDINGS — SECURITY

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Office placed on its accounting staffs' ability to process expenditures. We reviewed the Office's security in USAS, SPRS, TINS and voucher signature cards that were in effect on Nov. 17, 2017. We did not review or test any internal or compensating controls that the Office may have relating to USAS, SPRS or TINS security or internal transaction approvals.

The Office has one employee who could adjust payment instructions in TINS and approve paper vouchers. We also ran a report to determine whether any of the Office'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 process transactions within the statewide systems without another person's involvement.

The Office must limit the access of users who can approve paper vouchers to view-only access in TINS (PTINS02). An individual must not be able to change a vendor profile and approve the payment.

Office Response

The agency agrees with this finding and recommendation. The agency's standard business practices and security set-ups do not allow members who have the ability to make changes in TINS to also release documents in USAS or to have signature authority on paper vouchers. This particular instance occurred when an employee with TINS update access was promoted to a position that releases documents and has signature authority. The agency immediately changed the employee's TINS access to view-only upon notification from CPA audit staff. The agency has added documentation to the department's internal security set-up and review procedures to only approve PTINS02 access to staff with signature authority.