



An Audit of the Office of Court Administration

Audit Report # 212-20-01
January 6, 2022

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Executive Summary

Purpose and Scope

The objectives of the Office of Court Administration (Office) audit were to determine whether the Office:

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2019, through Feb. 29, 2020.

Background

The Office of Court Administration is a state agency in the judicial branch that operates under the direction and supervision of the [Supreme Court of Texas](#) and the chief justice.

Office of Court Administration
website

<https://www.txcourts.gov/oca/>

The Office's mission is to provide resources and information for the efficient administration of the judicial branch of Texas.

Audit Results

The Office complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll, purchase, contracting, travel, grant, system security or internal control processes, or with property management records. However, the Office should consider making improvements to its payment card processes.

Auditors did not reissue any findings from the prior audit, which was issued in June 2018. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Purchase/ Procurement and Contract Transactions	Did the purchase/ procurement and contract-related payments comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grants	Did grant transactions comply with the GAA and state laws and regulations pertaining to grants?	No issues	Fully Compliant
Payment Card Transactions	Did payment transactions comply with all pertinent statutes and Comptroller requirements?	Loss to the rebate payment card program.	Compliant, Findings Issued
Security	Are Office employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	Fully Compliant
Internal Control Structure	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting system?	No issues	Fully Compliant



Detailed Findings

Payroll Transactions

Auditors developed a representative sample totaling \$670,779.85 from a group of 25 employees and 249 payroll transactions to ensure the Office complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

Purchase/Procurement and Contract Transactions

Auditors developed a representative sample of 30 purchase/procurement transactions totaling \$827,676.72, as well as 10 transactions totaling \$99,443,419.00 from two vendor contracts valued at \$98,004,280.00 and \$1,439,139.00, to ensure the Office complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions in the purchase/procurement and contract transactions.

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$1,439,139	Software	No exceptions	No exceptions	No exceptions	No exceptions	No exceptions
Contract B	\$98,004,280	E-filing of court documents	No exceptions	No exceptions	No exemptions	No exceptions	No exceptions

Travel Transactions

Auditors developed a representative sample of 10 travel transactions totaling \$7,449.26 to ensure the Office complied with the GAA, [Texttravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended locations and properly recorded in the State Property Accounting (SPA) system. Audit tests revealed no exceptions.



Grants

Auditors developed a sample of five transactions totaling \$2,989,211.99 to ensure the Office complied with the GAA, state laws and regulations pertaining to grants. Audit tests revealed no exceptions in these transactions.

Payment Card Transactions

Auditors reviewed a report outside the sample of Citibank transactions to ensure the Office complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed the following exception in these transactions.

Loss to the Rebate Payment Card Program

The Office is not in compliance with the early payment discount requirements for state agencies and institutions of higher education because it failed to take advantage of early discounts offered by the payment card vendor. The Office stated that it was not aware of the vendor payment card rebate program and has been following the payment scheduling law.

In a report generated outside of the payment card sample, auditors reviewed all Citibank (Citi) payments processed in Uniform Statewide Accounting System (USAS) during the audit period as part of the payment card rebate program. Auditors identified late payments resulting in lost rebates.

Citi Charge Card contract [946-M2](#) contains a rebate program based on the total annual expenditures of all participating entities. In addition to the rebate percentage, an early payment incentive increases for each day a payment is received in full before 30 days from Citi's statement/invoice date. Statements are issued on the third of every month and are available to the agencies the next day, the fourth. Since charge-offs for delinquent accounts are deducted from the rebate as credit losses at the rebate-payable level, agencies should pay account balances as quickly as possible.

Citi currently pays a base rebate of 1.93% on payments received 30 days after the statement date, which increases by .75 basis points for each day a payment is processed before 30 days from the statement date. A payment within three days of the statement date earns the highest rebate percentage, which then declines through 30 days. At 31 or more days from the statement date, no rebate is paid. Rebates accrue from the first dollar of spend on all card products including Virtual Card and ePayables (excluding individual bill). Credit loss and unpaid credit balances from all other cards (central billed account and corporate liability individual billed account) are deducted from rebates.

The Office did not take advantage of the discounts offered by Citi and paid the invoice on an average of 47.5 days after the statement date. For the audit period, the Office lost approximately \$1,609.08 to \$1,779.99 in rebates due to late payments. The numbers in the table below are for illustration purposes only and are based on estimates, not actual



loss. The calculations of rebate loss did not factor in the total spend or the average transaction size to determine the correct incentive tier. Larger average transaction sizes and larger total spends result in greater incentives. Also, by not taking advantage of the rebates, agencies and institutions of higher education hinder the Statewide Procurement Division’s ability to negotiate rebates on future contracts.

Total Payments	Average Number of Days to Payment	Estimated Rebate Earned	1.93% Estimated Rebate Earned if Paid in 30 Days	2.0425% Estimated Rebate Earned if Paid in 15 Days	2.1025% Estimated Rebate Earned if Paid in 7 Days	2.1325% Estimated Rebate Earned if Paid in 3 Days	Maximum Lost Rebate
83,371.86	47.5	\$113.47	\$1,609.08	\$1,702.87	\$1,752.89	\$1,779.99	\$1,779.99

Note: Numbers based on estimates, not actual loss, for illustration purposes only.

According to [Texas Government Code, Section 2251.030](#), the Legislature expects government entities to take advantage of early payment discounts, so agencies should submit payment documents to the Comptroller’s office in time to do so.

Recommendation/Requirement

The Office should change its payment processes to comply with requirements, take advantage of rebates and avoid the double penalty of lost rebates and late payment interest. The Office should:

- Receive its Citi Commercial Card account statements online. Online account statements are available 48 hours from the statement date.
- Work with Citibank to develop automated reconciliation for travel and purchase receipts as transactions occur or shortly after the statement is issued.
- Make partial payments based on supporting documentation received and reconcile and pay as costs arise.

Office Response

The Office of Court Administration Finance and Operations division has already taken steps to better manage the Citi Commercial Card account statements. OCA purchasers log their Citicard procurements in an Excel worksheet. Staff reviews the statement activity online, reconciling the log to the online activity prior to the receipt of the paper statements mid-month. Staff have been trained to make partial payments based on supporting documents received when it is feasible to do so, however, with decentralized receiving of goods, and the small accounting staff that OCA employs, prioritized management of the Citicard accounts is unattainable without hiring an additional staff member. Staff has also been instructed that they can use the statement’s due date as the requested payment field, regardless of the Prompt Payment Scheduling, to better comply with the rebate program.



Security

The audit included a security review to identify Office employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. At termination or revocation, certain deadlines must be met so that security can be revoked in a timely manner. Audit tests revealed no exceptions in users' security access.

Internal Control Structure

The review of the Office's internal control structure was limited to obtaining reports identifying current users' access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed no segregation of duties exceptions.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS),
 - Human Resource Information System (HRIS) or
 - The Centralized Accounting and Payroll/Personnel System (CAPPs).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the Office of Court Administration (Office) payroll, purchase, contract/procurement, payment card, refund of revenue, and travel transactions that processed through USAS and SPRS from March 1, 2019, through Feb. 29, 2020, to determine compliance with applicable state laws.

The Office received appendices with the full report, including 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.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.