



An Audit of the **Fourteenth Court of Appeals**

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Fourteenth Court of Appeals (Court):

- 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.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from June 1, 2021, through May 31, 2022.

Background

The Fourteenth Court of Appeals was created in 1967. The Court is composed of a Chief Justice and eight justices. It has intermediate appellate jurisdiction of both civil and criminal cases appealed from lower courts in ten Texas counties;

in civil cases where judgment rendered exceeds \$250, exclusive of costs, and other civil proceedings as provided by law; and in criminal cases except in post-conviction writs of habeas corpus and where the death penalty has been imposed.

Fourteenth Court of Appeals website
<https://www.txcourts.gov/14thcoa/>

Audit Results

The Court generally complied with the General Appropriations Act (GAA), other relevant statutes, and Comptroller requirements. Auditors found no issues with payroll or refund of revenue transactions. However, the Court should consider making improvements to its purchasing processes and access to the statewide financial systems.

Auditors did not reissue any findings from the prior audit, which was issued in August 2014. 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 Transactions	Did purchase and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Missing receiving documentation.• Untimely vendor compliance verifications.• Purchase order created after invoice.• Annual procurement plans not submitted.	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Comptroller approval of travel memo not obtained.	Compliant, Findings Issued
Refund of Revenue	Did refund of revenue transactions comply with GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Target Analysis/Ad Hoc Reports	Did the Court comply with the GAA, pertinent statutes and Comptroller requirements?	Confidential Treatment of Information Acknowledgment (CTIA) form signed after user accessed system.	Compliant, Findings Issued

Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations for the Court include:

- Retain receiving documentation for each payment. The Court should review and update its documentation procedures.
- Update policies and procedures to ensure completion of the required vendor compliance verifications (VCVs) before any purchases, contract award, extension or renewal, and to retain a dated copy of the results in the procurement file. In addition, the Court must ensure that its employees are aware of VCV requirements for all purchases.



- Maintain proper documentation to verify payments are valid and to ensure a proper audit trail.
- Ensure the procurement plan is updated and submitted annually to the Comptroller's office by Nov. 30 using the template provided on the Comptroller's office website.
- Obtain written approval for travel vouchers from the Comptroller's Expenditure Assistance section and retain a copy of these written approvals for post-payment audits.
- Enhance procedures to ensure no user gains access to any of the statewide financial systems before completing a Confidential Treatment of Information Acknowledgment (CTIA) form.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$360,774.96 from a group of 20 employees and 71 payroll transactions to ensure the Court 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 Transactions

Auditors developed a sample of 25 purchase transactions totaling \$69,461.40 to ensure the Court complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed some exceptions in this group of transactions.

Missing Receiving Documentation

Auditors identified six purchase transactions that lacked documentation confirming the receipt of goods or services. The Court provided a copy of a shipping notification email, sales orders listing the date scheduled for delivery, invoices listing a ship date, and an order confirmation with an estimated delivery date, but provided no actual receiving reports. The Court put an initialed and dated receipt stamp on documents with estimated or expected delivery dates; however, the name of each item received and the quantity of each item received was missing.

If an agency does not confirm the receipt, it risks receiving incomplete orders or items purchased for personal or non-agency use. Without complete documentation, auditors could not determine whether all goods and services purchased were received as expected/billed.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), agencies must maintain necessary documentation for each purchase document to prove each payment is legal, proper and fiscally responsible. The Comptroller's office eXpendit page ([General Provisions – Retention Requirements Concerning Supporting Documentation](#)) explains that the type of documentation needed to support the legality and fiscal responsibility of a payment depends on the type of claim paid. Examples of required documentation include purchase orders (POs), requisitions, contracts, invoices, receipts and receiving reports.

In addition, standard business practices and internal controls for ensuring payments are valid require adequate separation of duties in the purchasing process and a comparison (three-way match) of:



- The ordering information (PO).
- Billed amounts (vendor invoice).
- Confirmation that all goods or services were received as expected (receiving report).

Recommendation/Requirement

The Court must ensure it does not make payments for goods or services without adequate supporting documentation to justify and validate each purchase. An employee independent from the purchasing process should confirm that goods and services were received as expected and should retain the confirmation in agency records.

The Court must also ensure its policies and training materials include instructions on performing and documenting the confirmation of goods and services received, maintaining necessary supporting documentation, and meeting the minimum requirements and expectations for the purchasing and payment review/approval process.

Court Response

The Court has taken the following measures. Office staff independent of the purchasing process have been provided stamps to mark goods or services “received” and been instructed to note the amount of goods received. We have created a “Payment Check List” to document the confirmation of goods and services received which includes printing out delivery confirmation to attach to the payment voucher.

Untimely Vendor Compliance Verifications

Auditors identified 15 purchase transactions where the Court was unable to provide evidence of performing the VCV checks, when applicable, in a timely manner. The Court must provide evidence, such as a screen print, showing that each verification was performed prior to issuing a PO or entering into a contract. The Court stated that these checks were completed; however, the Court did not know that it had to gather and maintain evidence that the searches were conducted.

Iran, Sudan and Foreign Terrorist List Organization Check

The Court did not conduct the Iran, Sudan and foreign terrorist organization checks for 15 POs in a timely manner. Of the 15 transactions, five transactions were timely with the Iran and Sudan check but were not timely with the foreign terrorist organization check. The foreign terrorist organization check provided was updated in June 2022, which is after the POs were issued.



Government entities may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Section 2252.152](#). Each agency must check the divestment lists to ensure the potential awardee is complying with this requirement. The Texas Safekeeping Trust Company maintains the divestment lists and posts them to the [Comptroller's Divestment Statute Lists website](#). If the business is in violation, the contract may not be awarded to that vendor.

Recommendation/Requirement

The Court must update its policies and procedures to ensure it completes all the required and applicable VCV checks before any purchase, contract award, extension or renewal. The Court must also retain a dated copy of the search results in the procurement file. In addition, the Court needs to ensure that its employees are aware of VCV requirements for all purchases.

Court Response

The Court relies on audits to make sure we are in compliance with all policies and procedures. Previously, we were only aware of SAM checks. Moving forward, we have followed the recommendation of the auditors to check the appropriate statutory and/or policy source for all VCV checks and also date stamping SAM checks prior to continuing with a service or purchasing of goods.

Purchase Order Created After Invoice

Auditors identified one instance where the PO was not created until after the invoice was received. The Court stated that this was due to a clerical error.

Without a PO at the time the goods or services are ordered, it is difficult for the Court to ensure it obtained the goods or services it agreed to purchase. See [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), which states that a state agency and its officers and employees must maintain the necessary documentation for each purchase document to prove each payment resulting from the document is legal, proper and fiscally responsible

Recommendation/Requirement

The Court must prepare documentation of an agreement before it orders goods or services from a vendor. Once the Court has made a final approved agreement with the vendor, the Court may not pay any amount in excess of the agreed amount, unless the agreement is amended due to the vendor providing a new benefit or consideration. The Court must maintain proper documentation to verify payments are valid and to ensure a proper audit trail.



Court Response

The Court has created a "Payment Check List" to ensure all procedures are done timely and in the correct order. Further, additional training provided by the State has been taken to be up to date with all policies and procedures.

Annual Procurement Plans Not Submitted

The Court did not submit the annual procurement plans for fiscal 2021 and fiscal 2022 to the Comptroller's office. The Court stated that the accountant who has since retired created the procurement plans but did not email them to the Comptroller's office. In addition, it stated that this occurred during the Covid-19 time period when all employees worked from home and work arrangements were not conducive to the detailed need for accounting functions.

When an agency does not submit an annual procurement plan, the Comptroller's office is not able to analyze state spending or opportunities for contract consolidation at the statewide level or evaluate agency personnel's authority to submit procurement requests, such as open market requisitions or delegation requests.

According to [34 Texas Administrative Code Section 20.132\(b\)](#), state agencies must formulate a procurement plan. Additionally, agencies must submit a current procurement plan to the Comptroller's office annually. See [State of Texas Procurement and Contract Management Guide](#) – Agency Procurement Plan.

Recommendation/Requirement

The Court must ensure it submits a procurement plan to the Comptroller's office.

Court Response

The Court has signed up for emails and reminders from all State agencies to ensure deadlines are being met. We have also created calendar reminders to submit the Annual Procurement Plans by the November deadline.

Travel Transactions

Auditors tested two transactions totaling \$300.56 to ensure the Court complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed an exception in this group of transactions.



Comptroller Approval of Travel Memo Not Obtained

The Court uses its own travel voucher memo and could not provide supporting documentation of the Comptroller's approval of its memo. The Court's memo lacks multiple pieces of information necessary to determine the validity of the payment.

Any travel voucher other than the official Comptroller travel voucher must be approved by the Comptroller's office before use. Agencies must retain documentation of this approval in their files. The Court stated that it had obtained verbal approval many years ago from a staff member of the Comptroller's Expenditure Assistance section. Auditors were unable to confirm this approval without written documentation.

See [Texttravel - Documentation Requirements - General Provisions - Alternative Travel Voucher](#), See also [Texas Government Code, Section 660.027\(c\)-\(e\)](#).

Recommendation/Requirement

The Court must obtain written approval for its travel voucher from the Comptroller's Expenditure Assistance section and must retain a copy of such written approval for post-payment audits.

Court Response

As a small agency, we endeavor to keep up with the numerous requirements mandated each legislative session. However, we also rely on finding and guidance provided by prior audits to make necessary changes. In 2009, a training provided by the Comptroller's office reviewed our current travel memo and suggested changes. The travel memo the Court has used since 2009 was the result of that training and review. There have been no findings on our travel memo in the audits conducted after 2009. Moving forward, the Court has decided to use the travel voucher provided by the Comptroller's office.

Refund of Revenue

Auditors tested two refund revenue transactions totaling \$80.00 to ensure the Court complied with the GAA and pertinent statutes. Audit test revealed no exceptions.

Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the Court's procedures for processing these transactions to determine compliance with state rules, regulations, and processing requirements. Audit tests revealed one exception in the targeted analysis reports.



Confidential Treatment of Information Acknowledgment (CTIA) Form Signed After Connect Date

Auditors evaluated the Court's compliance with the requirement that all users of the Comptroller's statewide financial systems complete a CTIA form. See [FMX, FPP K.015 Access Requirements for Comptroller Systems](#).

When a new user requires access to the Comptroller's systems, the Court's security coordinator should have the user read and sign the CTIA form. The Court's security coordinator should keep the signed form on file for as long as the user has access to the systems plus five years. Auditors reviewed this requirement for two employees. One employee did not have a CTIA form on file before accessing the Comptroller's statewide financial systems. The Court stated that it was not aware of its importance.

Recommendation/Requirement

The Court must enhance its procedures to ensure no user gains access to any of the statewide financial systems before completing a CTIA form.

Court Response

The Court has included the CTIA form in its new-hire paperwork as of 2016, when it was made aware of the requirement. A separate reminder has been added for personnel with a higher security access to ensure all forms are up to date and included per Comptroller guidelines.



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.

Audit Scope

Auditors reviewed a sample of the Fourteenth Court of Appeals payroll, purchase and travel transactions that processed through USAS and CAPPS from June 1, 2021, through May 31, 2022, to determine compliance with applicable state laws.

The Court 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.

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.

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.



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.