



An Audit of the **Thirteenth Court of Appeals**

**Audit Report #233-24-01
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Executive Summary

Purpose and Scope

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

- 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, 2022, through May 31, 2023.

Background

The Thirteenth Court of Appeals serves a twenty-county area and maintains offices in Corpus Christi and Edinburg. This Court has intermediate appellate jurisdiction in both civil and criminal cases appealed from lower courts; in civil cases where the judgment exceeds \$100, exclusive of costs; and in criminal cases, except in post-conviction writs of habeas corpus and cases where the death penalty has been imposed.

Thirteenth Court of Appeals website
<https://www.txcourts.gov/13thcoa/>

Audit Results

The Court generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll transactions. However, the Court should consider making improvements to its procurement and travel processes.

Auditors did not reissue any findings from the previous post-payment audit issued in October 2019. 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, and Payment Card Transactions	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Missing vendor compliance verifications.	Compliant, Findings Issued
Travel and Travel Card Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Lack of conservation of state funds.	Compliant, Findings Issued
Targeted Analysis	Did the coding of payment transactions comply with Comptroller requirements?	Incorrect transaction code and Texas Identification Numbers.	Compliant, Findings Issued

Key Recommendations

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

- Conduct all required vendor compliance verifications before any purchase, contract award, extension, or renewal, and must retain results from the specified website in the procurement file as evidence.
- Develop procedures for travelers to complete cost comparisons, subject to approval, prior to travel in order to safeguard state resources.
- Modify or update its method for payment transactions recording in the Uniform Statewide Accounting System (USAS) to ensure transactions include proper transaction codes and employee/vendor level details.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$192,408.45 from a group of 15 employees involving 57 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 \$22,928.30 to ensure the Court complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing Vendor Compliance Verifications

The Court was unable to provide proof showing it completed the required vendor compliance verifications (VCV) for ten purchase transactions. The Court was not aware of the requirement to retain proof that each verification was performed.

Iran, Sudan and Foreign Terrorist Organization List Check

The Court could not provide documentation showing it performed the Iran, Sudan and foreign terrorist check before making 10 purchase transactions. Agencies 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 before award to determine if the potential awardee is in violation of this requirement. The Texas Safekeeping Trust Company maintains the divestment lists and posts them to the Comptroller's [Divestment Statute Lists website](#). Agencies cannot award a contract to a vendor that is in violation.

Boycott Israel Check

The Court could not provide documentation showing it performed the boycott Israel check before making 10 purchase transactions. Agencies may not contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not boycott Israel during the term of the contract. See [Texas Government Code, Chapter 2271](#). Before contract award, agencies must check the divestment on the Comptroller's [Divestment Statute Lists website](#) to determine if the potential awardee is in violation of this requirement. If the potential awardee is on the list, an agency cannot award the contract to that vendor.



Recommendation/Requirement

The Court must conduct all VCV checks before any purchase, contract award, extension, or renewal, and must retain results from the specified website in the procurement file as evidence.

Court Response

For vendors who are not found on Texas Smart-buy or 1, under existing DIR contract, the court accountant has updated her procedures to conduct all required vendor compliance verification checks prior to drafting a purchase order. The accountant will retain results from each specified website with the purchase documentation.

This requirement is found in section "I" of the Court's procurement procedure.

Travel Transactions

Auditors developed a sample of 15 travel transactions totaling \$7,038.41 to ensure the Court complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.

Lack of Conservation of State Funds

Auditors identified two travel vouchers where the Court reimbursed travelers for mileage while operating personal vehicles to conduct official business, resulting in travel reimbursement overpayments. Based on the car rental rates, taxes, cost of gas and standard mileage rates in effect at the time of travel, it would have cost the state less if the travelers had used rental vehicles instead of personal vehicles. The Court was not aware of the cost comparison requirement.

[Texas Government Code, Section 660.007\(a\)](#) requires a state agency to minimize the amount of travel expenses paid or reimbursed. The Court must ensure each travel arrangement is the most cost effective considering all relevant circumstances. Agencies must examine all travel reimbursements before payment to ensure compliance with applicable regulations and limitations. See [Textravel – Responsibilities](#) and [Textravel – Mileage in Personal Vehicle – Mileage Calculation](#).

Recommendation/Requirement

The Court should develop procedures for travelers to complete cost comparisons prior to travel and subject to approval in order to safeguard state resources. The Court must ensure it retains adequate supporting documentation to justify the validity of a payment.



Court Response

The requirement to include cost analysis documentation with a travel voucher has been adopted. All employees have been instructed regarding the statutory requirement to provide proof of cost comparisons with all travel vouchers. Furthermore, all employees have been informed travel vouchers may be denied for lack of adequate documentation.

Additionally, employees will receive a reminder of this requirement before any anticipated travel, specifically when they seek approval to travel.

Targeted Analysis

The audit included targeted analyses outside the main samples of payroll, purchase and travel transactions. Using USAS, Citibank or other systems accessible by the Comptroller's office, auditors generated several special reports to analyze additional processes relevant to the audited entity. Such processes may include interagency transfers, refunds to payroll, proper coding of payment card transactions, and others. Audit tests revealed the following exceptions in the Court's targeted analysis reports.

Incorrect Transaction Code and Texas Identification Numbers

Auditors identified nine transactions processed with an incorrect transaction code (T-code) and an incorrect Texas Identification Number (TIN). The Court made the payments to the payment card vendor using the non-specific payment card TIN to process the transactions. The non-specific TIN should be used only on third-party payment card transactions if the TIN/mail code is unknown for a specific vendor and all efforts to obtain the vendor's TIN are unsuccessful.

The Court also processed these transactions using a T-code 225 instead of T-codes 247/904. T-code 247 should be used to record the TIN of the vendor supplying the Court with goods or services, and the T-code 904 should record the TIN of the entity that will receive the payment. The Court was not aware of the T-code requirements.

The use of proper T-codes is necessary to capture the actual name of the vendors doing business with the state. The Comptroller's office captures vendor-level detail in USAS for public information requests, historically underutilized business (HUB) reporting and more. Improper processing procedures can result in inaccurate expenditure reporting for public information requests. A correct TIN is necessary to identify the actual vendor/individual doing business with the state. See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#), which explains how state agencies must use T-codes, TINs and comptroller objects to process third-party payments through USAS.



Recommendation/Requirement

The Court must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#). This information is essential for an accountable and open government. It is also used for public information requests and post-payment auditing purposes.

Court Response

The court accountant has updated her method for payment transaction recording in the Uniform Statewide Accounting System (USAS) to ensure transactions include proper transaction codes and employee/vendor level details. This includes implementing an initial and final review process for any new or unique transactions.



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.

Audit Scope

Auditors reviewed a sample of the Court's payroll, purchase and travel transactions that processed through USAS and CAPPS from June 1, 2022, through May 31, 2023, to determine compliance with applicable state laws.

The Court received appendices with the full report, including a detail listing 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 the Court's documents comply in the future. The Court must ensure 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.