



A Follow-Up Audit of the Supreme Court

Audit Report #201-22-01
December 8, 2022

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Executive Summary

Purpose and Scope

In July 2022 the Texas Comptroller of Public Accounts (Comptroller's office) completed a follow-up audit of the Supreme Court of Texas (Court) covering the status of the open recommendations the Comptroller's office made in the most recent post-payment audit.

This audit was selected for follow-up using a risk-based approach and the significance of issues found during the recent full-scope audit. The follow-up audit scope is limited to verifying that the Court has designed and implemented controls to address issues noted in the previous audit, unless auditors become aware of significant potential issues during planning or fieldwork.

The objectives of this follow-up audit were to determine whether the payroll, purchase/contract, travel and refund of revenue recommendations made in the post-payment audit (audit report number 201-17-01) issued June 14, 2017, were implemented and to determine whether the expenditures since July 2020 have complied with applicable state laws and rules concerning expenditures and with processing requirements of the Uniform Statewide Accounting System (USAS) and Standardized Payroll/Personnel Reporting System (SPRS).

Background

The auditors consider recommendations:

- **Implemented** when the agency staff provided sufficient and appropriate evidence to support all elements of the recommendation.
- **In Progress** when agencies have specific plans to begin or have begun to implement the recommendation and intend to fully implement it.
- **Not Implemented** when evidence did not show meaningful movement toward implementation, when no evidence was provided, when implementation starts but there is no measurable progress since it takes time, or when a new recommendation was issued within the last three months.
- **Not Tested** when an agency did not process any transactions of the type that is tested during the audit period.

The audit methodology included reviewing the Court's corrective action plan and implementation timeline created in response to the post-payment audit. Auditors also selected samples of transactions, reviewed supporting documentation submitted by the Court, and met with agency staff.



Audit Results

The Court stated that it continues to work on the outstanding recommendations.

Of the 10 recommendations selected for review:

- Seven recommendations were implemented.
- Two recommendations were not implemented.
- One recommendation was not tested.



Detailed Information

Payroll

Auditors developed a sample of 21 payroll transactions totaling \$39,507.82 to ensure the Court complied with the General Appropriations Act (GAA), [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and relevant statutes. Below is a list of all the previous payroll findings along with our follow up audit results.

June 2017 Audit Findings	June 2017 Audit Recommendations	Reported Implementation/Actions Taken	July 2022 Testing	Implementation Status
Overpayment of salary amount	The Court must review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to a state employee. See 34 Texas Administrative Code Section 5.40(b).	The Department took immediate action and updated internal procedure for recoupment of overpayment. The procedure was revised to ensure that Accounting Office is included on both the initial and the final notice to former employee. If money is not received after final notice, Accounting will place individual on warrant hold with the Comptroller of Public Accounts.	Auditors tested a selected sample of payroll transactions. No audit issues identified.	Implemented
Incorrect longevity pay amount	The Court must ensure that the judges and justices are being paid correct longevity pay based on their state salary. The Court must also ensure that its internal operating procedures include quality control measures to update longevity when the judges and justices' state salaries change. The Court should promptly update the employee's longevity pay and correct the underpayment through a supplemental payroll. See 34 Texas Administrative Code Section 5.40(c).	Payroll staff will pay extra close attention to longevity eligibility especially judges when hiring. The underpayment for this particular incident has been paid and corrected in the judge's payroll record.	The Court provided all the payroll documentation required to support payment.	Implemented
Court Response				
<i>The Court agrees with the implementation status as indicated by the auditor.</i>				



Purchase/Procurement & Contracts

Auditors developed a sample of five purchase transactions totaling \$354,235.50 to ensure the Court complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Below is a list of previous purchase findings along with the follow-up audit results.

June 2017 Audit Findings	June 2017 Audit Recommendations	Reported Implementation/Actions Taken	July 2022 Testing	Implementation Status
Freight not on purchase order (PO)	The Court should document all freight terms on each PO. In situations where the final amount of freight cannot be determined, estimates may be used. In those instances, the Court should document the limit that may not be exceeded for any freight amount. If it is determined that the upper limit for a freight amount will be exceeded, the vendor should obtain approval for the higher amount. Any approvals for higher amounts should be documented prior to receiving the invoice.	Freight and shipping fees will be shown as an individual line item on all future purchase orders.	The Court provided all the purchase documentation required to support payment.	Implemented
Incorrect amount paid	The Court must properly review and compare invoices with contracts to ensure that payments do not exceed amounts authorized in the contract and ensure amendments to the original contract are documented. The Court must request a reimbursement from the vendor unless it determines it is not cost effective to do so. A state agency is responsible for reviewing each purchase voucher for accuracy and completeness before the agency submits the voucher to the Comptroller's office for processing. See 34 Texas Administrative Code Sections 5.51(c)(1)(B), (c)(2), (c)(4), (e) (1) – (2).	The incorrect hourly rate was entered on the paper document (purchase order) but the verbal quote provided to our purchaser was the correct amount that we paid. Future purchase orders will be closely reviewed for accuracy and correct pricing.	The Court provided all the purchase documentation required to support payment.	Implemented
Court Response				
<i>The Court agrees with the implementation status as indicated by the auditor.</i>				



Contracts

Auditors reviewed three contracts totaling \$33,955.40 to ensure the Court complied with the GAA and pertinent statutes. Below is a list of all the previous contract findings along with the follow-up audit results.

June 2017 Audit Findings	June 2017 Audit Recommendations	Reported Implementation/Actions Taken	July 2022 Testing	Implementation Status
Missing Centralized Master Bidders List (CMBL) solicitation documentation	All state agencies and institutions of higher education must use the CMBL for all purchases, including services for which competitive bidding or competitive sealed proposals are required. The Court must maintain evidence that the CMBL vendors were contacted and include it in the contract file, as well as the bid tabulation that supports the contracted vendor selection.	The Court will adhere to the proper procurement process and utilize the CMBL system to solicit bids.	The Court provided all the contract procurement documentation required to support compliance.	Implemented
Bid and evaluation criteria not followed	The Court must obtain bids from qualified vendors for all services exceeding \$5,000. It must ensure that all bids are tabulated, and the documentation related to the procurement process is retained.	All purchases exceeding \$5,000 will adhere to the proper procurement process and retain all solicitation documents.	The Court provided all the contract procurement documentation required to support payment.	Implemented
Court Response				
<i>The Court agrees with the implementation status as indicated by the auditor.</i>				



Travel

Auditors reviewed one available travel transaction totaling \$305.75 to ensure the Court complied with the GAA, [Textravel \(FPP G.005\)](#) and relevant statutes. Below are the previous travel findings and the follow-up audit result.

June 2017 Audit Findings	June 2017 Audit Recommendations	Reported Implementation/Actions Taken	July 2022 Testing	Implementation Status
Incorrect processing of non-overnight meals	The Court should strengthen its internal procedures to ensure non-overnight meal expenses are properly processed on a payroll document. The Court must also ensure that it does not reimburse employees for meals that exceed the Comptroller's office maximum rate for non-overnight meals. The Court should seek a refund for the transaction paid in excess of the allowable reimbursement rate, if it is cost effective to do so.	All accounting staff has been reminded about the rule about paying non-overnight meals.	The Court did not have any non-overnight meal reimbursements during the audit period.	Not Tested
Early check-in fee not payable	The Court must ensure that all travel expense claims are accurately reviewed for legality and accuracy prior to payment. The Court must obtain a reimbursement from the employee unless it determines it is not cost effective to do so.	Accounting staff is aware of this rule and if necessary, in the future, documentation to justify the need for this type of expense will be included.	The Court provided all the travel documentation required to support payment.	Implemented
Court Response				
<i>The Court agrees with the implementation status as indicated by the auditor.</i>				



System Access and Payment Processing

Auditors reviewed certain limitations the Court placed on its accounting staff's ability to process expenditures. Auditors reviewed the Court's voucher signature cards that were in effect on May 26, 2022. Below are the previous findings for internal control structure along with the follow-up audit result.

June 2017 Audit Findings	June 2017 Audit Recommendations	Reported Implementation/Actions Taken	July 2022 Testing	Implementation Status
Control weakness over expenditure processing	The Court should segregate each task to the extent possible to ensure that no individual is able to process payments without oversight. The Court should review the preventative and detective controls over expenditure processing discussed in USAS Accounting and Payment Control (FPP B.005), such as the Risky Document Report (DAFR9840), which identifies documents that the same user entered or altered and then released for processing. Also, the Court should limit access of users who enter/change vouchers or release/approve batches in USAS to view-only access in TINS. An individual should not be able to create a vendor or change a vendor profile, create a payment, and approve the payment. The Court could limit the user's access by removing the user from the Warrant Pick-up List or by removing the ability to release/approve vouchers in USAS from the user.	The Court acknowledges the referenced weakness and does not process documents without oversight. Due to the small number of employees in the accounting office, it is necessary for four employees to have process and release authority to maintain the oversight procedure.	Four employees had multiple security weaknesses at the time of the follow-up review.	Not Implemented
Court Response				
<p><i>Yes, these are the same ones in previous audits. One problem is when one or more staff is out for some reason – not enough to cover their job. We will review all the internal control structures listed in this document and see if we can make changes for better separation of authority.</i></p>				



Targeted Analysis

Auditors reviewed the Court's procedure to comply with the federal mandate to properly identify and handle payments involving the international movement of funds. Below is the previous direct deposit authorization form finding and the follow up audit result.

June 2017 Audit Findings	June 2017 Audit Recommendations	Reported Implementation/Actions Taken	July 2022 Testing	Implementation Status
Incomplete direct deposit authorization	The Court must ensure that all payees that request payment by direct deposit submit a completed direct deposit form, with the International ACH Transaction (IAT) question answered. A direct deposit authorization form should not be processed if the IAT section is left blank or if the form is unsigned.	Updated forms will be used going forward to ensure the IAT section is completed.	On one out of four direct deposit authorization forms reviewed, the international verification question was not answered.	Not Implemented
Court Response				
<i>This finding has been brought to staff attention and attention to detail will be a priority.</i>				



Appendix

Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this follow-up audit were to determine whether the recommendations made in the post-payment audit (audit report number 201-17-01) issued June 14, 2017, were implemented.

Audit Scope

Auditors selected transaction samples of the Supreme Court of Texas (Court) covering the open recommendations the Comptroller's office made in the most recent post- payment audit.

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 follow-up audit and verify that the Court has designed and implemented controls to address issues noted in the previous audit.

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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