



# A Follow-Up Audit of the **Fifth Court of Appeals**

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# Executive Summary

## Purpose and Scope

In June 2023, the Texas Comptroller of Public Accounts (Comptroller's office) completed a follow-up audit of the Fifth Court of Appeals (Court) to check 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, travel, system access and payment processing recommendations made in the post-payment audit (audit report number 225-15-01) issued March 3, 2016, were implemented.
- Expenditures since March 2022 have complied with applicable state laws and rules concerning expenditures and with processing requirements of the Uniform Statewide Accounting System (USAS) and the Centralized Accounting and Payroll/Personnel System (CAPPS).

## Background

The auditors consider recommendations:

- **Implemented** when the agency staff has 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 does not show meaningful movement toward implementation, when no evidence of implementation has been provided, when implementation has started but is expected to take more time, so there has been no measurable progress yet, 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 Court staff.



## **Audit Results**

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

Of the five recommendations selected for review:

- One recommendation was implemented.
- Three recommendations are in progress.
- One recommendation was not implemented.





# Detailed Information

## Payroll

Auditors developed a sample of five payroll transactions tested for prior state service verifications. Below is a list of previous payroll findings along with the follow up audit results.

March 2016 Audit Findings	March 2016 Audit Recommendations	Reported Implementation/Actions Taken	June 2023 Testing	Implementation Status
Missing Prior State Service Verification	<p>The Court must ensure prior state service is properly verified and documented for its employees.</p> <p>The Court must compensate the employees who were underpaid longevity pay.</p> <p>The Court must also ensure that its internal operating procedures include quality control measures that will detect any underpayments of compensation to an employee.</p>	<p>The Fifth Court of Appeals (Fifth Court) has a "verification of prior state service" form that it asks new employees to fill out. The Fifth Court continues to educate its employees to report all prior state service. This Court also compensates its employees should the employee be underpaid due to missed longevity credit.</p>	<p>Two out of five employees were not given the Prior State Service Verification form to complete.</p>	In Progress
<b>Court Response</b>				
<i>Agency agrees and will immediately start working on these employee verifications and verifying prior state service for employees onboarded since 2019.</i>				



## Travel

Auditors developed a sample of seven travel transactions totaling \$3,648.37 to ensure the Court complied with the General Appropriations Act (GAA), [eXpendit \(FPP I.005\)](#) and relevant statutes. Below is a list of previous purchase and payment card findings and the follow-up audit results.

March 2016 Audit Findings	March 2016 Audit Recommendations	Reported Implementation/Actions Taken	June 2023 Testing	Implementation Status
Incorrect Travel Reimbursement Amount	The Court should caution its employees and approval staff to verify all totals that are submitted manually.	The Fifth Court contacted and set up training for its three secretaries and the administration staff to go through the Comptroller's Fiscal Management Training Center. The class was an all-day session done on Oct. 1, 2015. It was very detailed oriented and provided substantive information.	Two of the three transactions tested for this issue showed incorrect reimbursements; one was mileage overpayment, and one was per diem overpayment.	In Progress
Early Check-in Fee Not Payable	The Court must ensure that all travel expense claims are reviewed for legality and accuracy prior to payment. The Court must obtain a reimbursement from the traveling employee unless it determines it is not cost effective to do so.	The Fifth Court contacted and set up training for its three secretaries and the administration staff to go through the Comptroller's Fiscal Management Training Center. The class was an all-day session held Oct. 1, 2015. It was very detailed-oriented and provided substantive information.	One of the three transactions tested for this issue showed the traveler paid and was reimbursed air flight business class instead of the standard economy class without justification for paying for this premium flight option.	In Progress
Incorrect Processing of Non-Overnight Meals	The Court should strengthen its internal procedures to ensure non-overnight meal expenses are properly processed.	The Fifth Court contacted and set up training for its three secretaries and the administration staff to go through the Comptroller's Fiscal Management Training Center. The class was an all-day session held Oct. 1, 2015. It was very detailed-oriented and provided substantive information.	The Court did not have any issues with the processing of non-overnight meals.	Implemented

### Court Response

*Agency agrees.*



## 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 June 28, 2023. Below are the previous findings for internal control structure along with the follow-up audit result.

March 2016 Audit Findings	March 2016 Audit Recommendations	Reported Implementation/Actions Taken	June 2023 Testing	Implementation Status
Control Weaknesses Over Expenditure Processing	The Court should periodically review the controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight. The Court should request that a preventative control be enforced for all transactions in USAS. If an agency requests the control, an edit will prevent the release of a document that the same user entered or altered. See <a href="#">USAS Accounting and Payment Control (FPP B.005)</a> about reducing risks to state funds.	Per FPP B.005, the Fifth Court has implemented and will request the Risky Document Report (DAFR9840) as part of its internal procedures so the same user who entered or altered will be documented. There will also be a memo to the file as to why this took place and signed off by both the business administrator and the budget analyst. The goal of the Fifth Court is to be open and transparent.	Auditors found two employees with multiple conflicting security capabilities. Also, the Court has not been using the DAFR 9840 report as a mitigating control to identify documents which have been processed by one person without oversight.	<b>Not Implemented</b>
<b>Court Response</b>				
<i>Agency agrees. Work is in progress to have a second employee obtain security access to help release payments.</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 225-15-01) issued March 3, 2016, were implemented.

### Audit Scope

Auditors selected transaction samples of the Fifth Court of Appeals (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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