



Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

An Audit Report on

**The Centralized Accounting  
Payroll/Purchasing System Financials at  
the Health and Human Services  
Commission**

December 2021  
Report No. 22-015



An Audit Report on

# The Centralized Accounting Payroll/Purchasing System Financials at the Health and Human Services Commission

SAO Report No. 22-015  
December 2021

## Overall Conclusion

The Health and Human Services Commission (Commission) established processes and controls over its purchasing and accounts payable data in its Centralized Accounting Payroll/Purchasing System (CAPPS) Financials. However, it did not have adequate processes in place to ensure that its asset data in CAPPS Financials and the State Property Accounting (SPA) system was complete and accurate. In addition, the Commission should improve its management of access to the CAPPS Financials application and database.

**Completeness of Asset Data.** The Commission did not add 3,525 (70 percent) of 5,037 capitalized and controlled<sup>1</sup> assets purchased to SPA as required. In addition, the Commission did not input an additional 1,108 of its assets, which cost \$1.7 million, into CAPPS Financials or SPA. Overall, SPA was missing a total of 4,633 assets with a purchase price of \$7.5 million. Due to control weaknesses, the Commission cannot ensure that all of its purchased assets are identified in CAPPS Financials.

**Accuracy of Asset Data.** The Commission did not ensure that the asset data in CAPPS Financials was accurate. Inaccuracies included invalid asset IDs; missing key asset data like serial numbers; non-asset costs, such as cost of shipping, being assigned an asset ID; and assets having an incorrect status. These data inaccuracies were caused by control weaknesses, data entry errors, and CAPPS Financials not always working as intended.

**IT Controls over CAPPS Financials.** The Commission's controls over access to its IT systems are appropriately designed, and the Commission has processes to manage changes to its applications. However, the Commission should improve its management of access to the CAPPS Financials application and database. To

### CAPPS Financials

The Health and Human Services Commission (Commission) implemented Centralized Accounting Payroll/Purchasing System (CAPPS) Financials in September 2017 to manage its core financial processes—such as accounting, procurement, and asset management—within an integrated application.

Generally, CAPPS Financials is centrally managed and maintained by the Office of the Comptroller of Public Accounts (Comptroller's Office); however, the Commission is considered a hub agency and is an exception in the CAPPS program model. The Commission received a baseline version of CAPPS Financials from the Comptroller's Office and manages and maintains the application internally.

Source: The Comptroller's Office and the Commission.

<sup>1</sup> A **capitalized** asset is an asset with an estimated useful life greater than one year with a value greater than the thresholds established by the Comptroller's Office for that asset type. A **controlled** asset is an asset with value equal to or greater than the cost established by the Comptroller's Office and that the State has determined to be a high loss risk to be secured and tracked.

minimize security risks, auditors communicated details about the identified weaknesses separately to the Commission’s management in writing.

Pursuant to Standard 9.61 of the U.S. Government Accountability Office’s *Generally Accepted Government Auditing Standards*, certain information was omitted from this report because that information was deemed to present potential risks related to public safety, security, or the disclosure of private or confidential data. Under the provisions of Texas Government Code, Section 552.139, the omitted information is also exempt from the requirements of the Texas Public Information Act.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
1	Background on CAPPs Financials and the Asset Management Process	Not Rated
2	The Commission’s Asset Management Data in CAPPs Financials Was Not Complete or Accurate	Priority
3	The Commission Established Processes and Controls to Help Ensure That Purchasing and Payment Data in CAPPs Financials Was Properly Supported, Approved, and Accurate	Low
4-A	The Commission Designed Appropriate Access Controls for Its IT Systems; However, It Did Not Ensure That These Controls Are Implemented and Operating Effectively	Priority
4-B	The Commission Developed Controls to Ensure Proper Segregation of Duties for Accounts Payable in CAPPs Financials and Appropriately Managed System Changes	Low
<p><sup>a</sup> A chapter/subchapter is rated <b>Priority</b> if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated <b>High</b> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated <b>Medium</b> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A chapter/subchapter is rated <b>Low</b> if the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.</p>		

Auditors communicated other, less significant issues separately in writing to Commission management.

## ***Summary of Management's Response***

At the end of Chapter 2 in this report, auditors made recommendations to address the issues identified during this audit. The Commission's management agreed with the recommendations.

## ***Audit Objective and Scope***

The objective of this audit was to determine whether the Commission has ensured the accuracy, security, and completeness of the data in its CAPPs Financials by evaluating the design and operating effectiveness of selected controls and modules.

The scope of this audit covered selected CAPPs Financials general controls and related key processes; application controls; and selected financial data in purchasing, accounts payable, and asset management modules from September 1, 2019, through March 31, 2021. The scope for the review of selected changes was September 1, 2019, through February 28, 2021.

# Contents

## ***Detailed Results***

---

Chapter 1	
Background on CAPPs Financials and the Asset Management Process.....	1
Chapter 2	
The Commission’s Asset Management Data in CAPPs Financials Was Not Complete or Accurate .....	5
Chapter 3	
The Commission Established Processes and Controls to Help Ensure That Purchasing and Payment Data in CAPPs Financials Was Properly Supported, Approved, and Accurate .....	14
Chapter 4	
The Commission Established Segregation of Duties in CAPPs Financials and Adequately Managed Changes to the Application; However, It Did Not Manage Access Appropriately .....	16

## ***Appendices***

---

Appendix 1	
Objective, Scope, and Methodology .....	18
Appendix 2	
Issue Rating Classifications and Descriptions.....	24
Appendix 3	
Internal Control Components .....	25

# Detailed Results

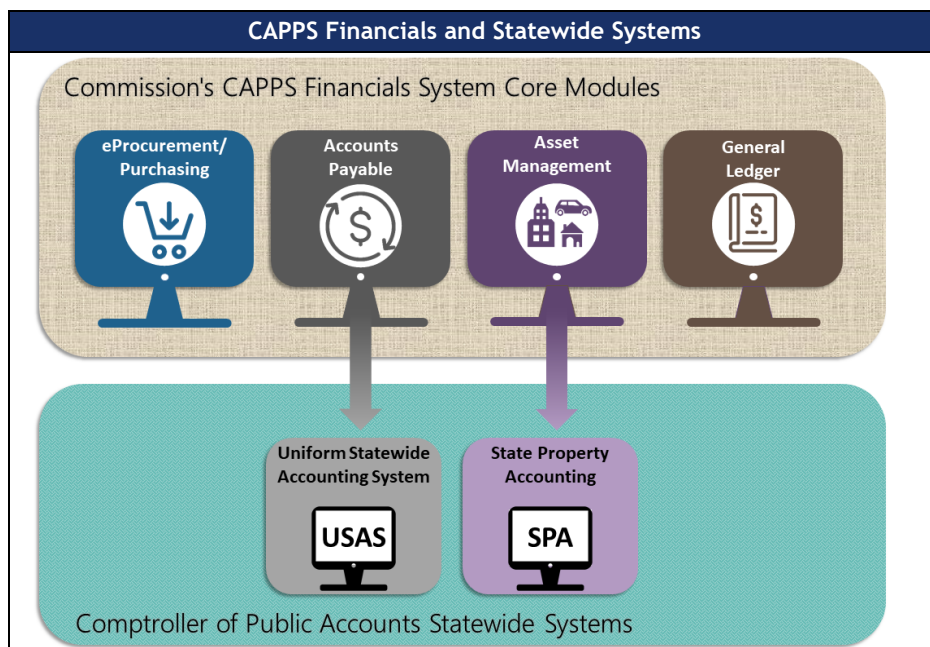
Chapter 1

## Background on CAPPS Financials and the Asset Management Process

**CAPPS Financials Overview.** The Health and Human Services Commission (Commission) implemented Centralized Accounting Payroll/Purchasing System (CAPPS) Financials in September 2017 to replace the Health and Human Services Administrative System (HHSAS), the Commission’s former financial system. The Commission received a baseline version of CAPPS Financials from the Office of the Comptroller of Public Accounts (Comptroller’s Office). The Commission customized the baseline version with its own controls and implemented it on its own infrastructure. The Commission is responsible for ongoing maintenance and support of the application, including keeping the baseline application current.

CAPPS Financials includes (1) eProcurement/Purchasing, (2) Accounts Payable, (3) Asset Management, and (4) General Ledger as core modules in its baseline version. When a payment is processed in CAPPS Financials’ Accounts Payable module, it gets sent to the Uniform Statewide Accounting System (USAS) for payment. Once payment is made, asset data is posted into the CAPPS Financials Asset Management module and then transferred to the State Property Accounting (SPA) system, the State’s asset system of record. (See Figure 1.)

Figure 1

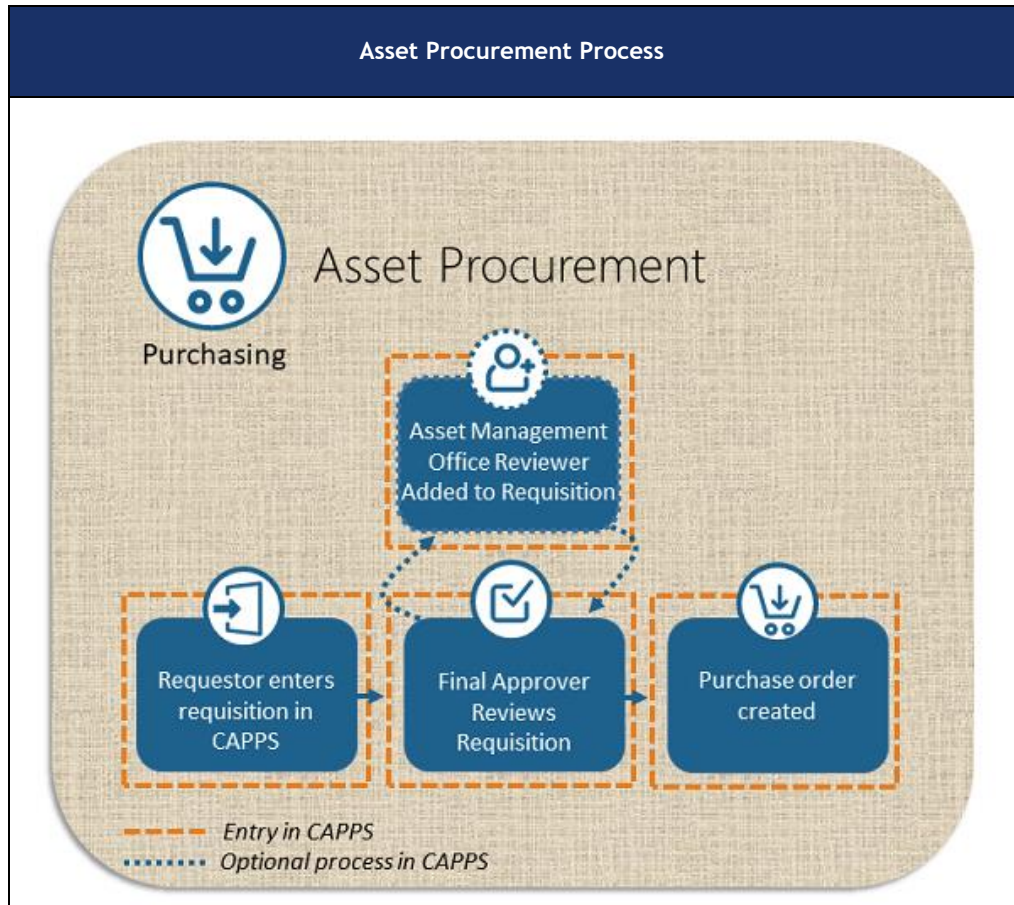


Source: Based on the information provided by the Commission.

## Background on asset management process

**Asset Procurement.** The Commission's asset management process starts with a requisition. The Commission's policies require requisitions for asset purchases to be reviewed by its Asset Management Office (AMO) prior to the final approval. However, this review is optional in the CAPPS Financials approval process. (Please see Chapter 2 for more information on this review.) After a requisition is approved, a purchase order is created. (See Figure 2.)

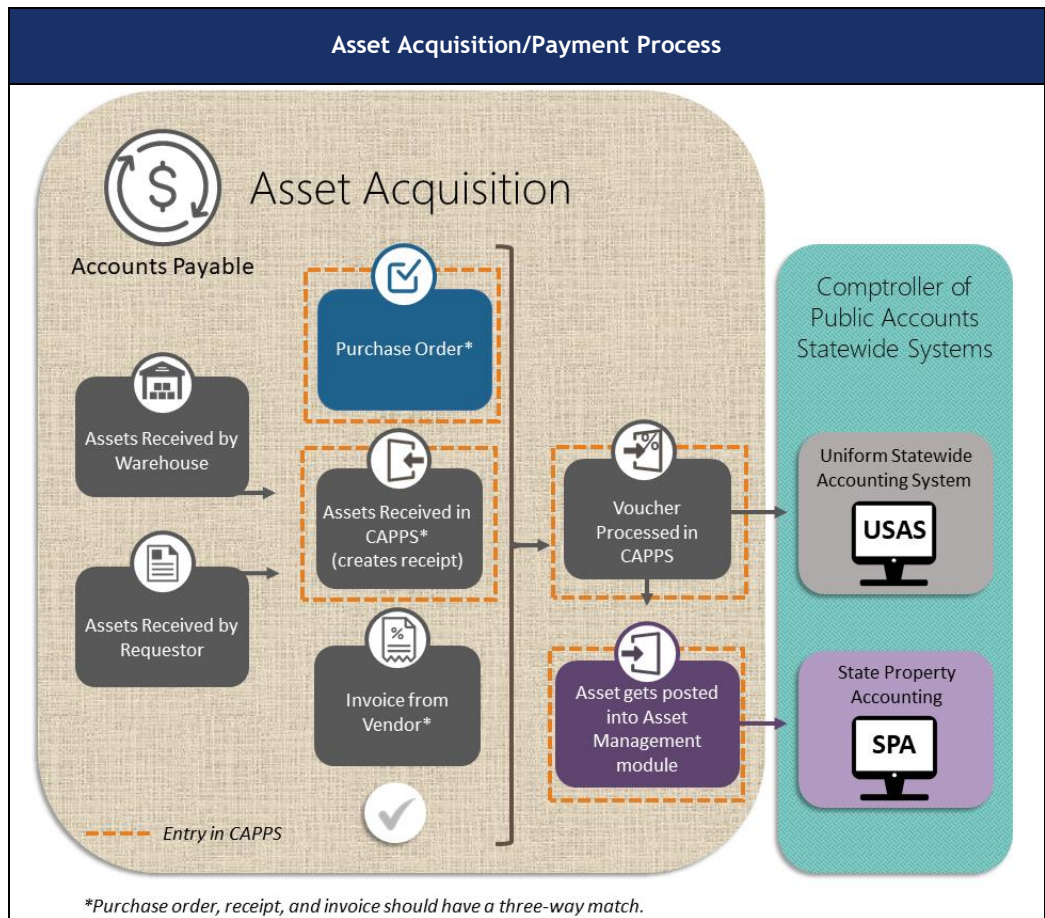
Figure 2



Source: Based on the information provided by the Commission.

**Asset Acquisition and Payment.** Commission policies require a three-way match between the purchase order, the receipt, and the invoice to process a payment for an asset purchase. Once approved, CAPPS Financials sends the payment voucher to USAS for payment. When payment is made, the asset is posted in the CAPPS Financials Asset Management module and sent to the SPA system. (See Figure 3.) From September 1, 2019, to March 31, 2021, the Commission acquired 5,037<sup>2</sup> capitalized and controlled assets included in CAPPS Financials for \$32,911,359.

Figure 3



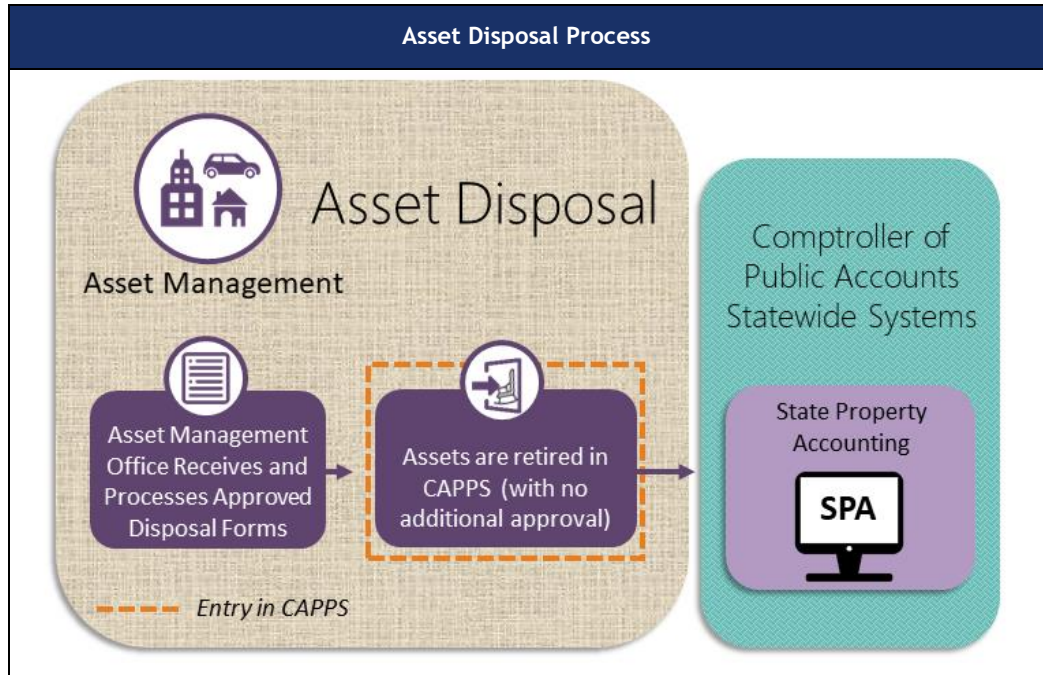
Source: Based on the information provided by the Commission.

<sup>2</sup> These assets exclude assets associated with construction projects in progress.



**Asset Disposal.** When the Commission disposes of an asset, the AMO receives a completed and approved disposal form from the program area. AMO staff retire the asset in CAPPs Financials, and this information gets updated in SPA. (See Figure 4.) From September 1, 2019, to March 31, 2021, the Commission disposed of 2,055 assets in CAPPs Financials.

Figure 4



Source: Based on the information provided by the Commission.

## The Commission's Asset Management Data in CAPPs Financials Was Not Complete or Accurate

Chapter 2  
Rating:  
Priority <sup>3</sup>



Asset Acquisition

The Commission cannot ensure that either SPA, which is its system of record for assets, or CAPPs Financials contains all of the assets it acquired from September 1, 2019, through March 31, 2021. SPA was missing 3,525 (70 percent) of 5,037 capitalized and controlled assets that the Commission acquired during that time frame. (See text box for asset definitions.) The total cost of these 3,525 assets was \$5.8 million. The data in CAPPs Financials was also not complete. It did not include 1,108 laptops that the Commission purchased for \$1.7 million in December 2020. These assets were also not in SPA. Overall, SPA was missing a total of 4,633 assets with a purchase price of \$7.5 million.

In addition, the Commission cannot ensure that its asset data in CAPPs Financials is complete and accurate. This is because the key controls related to asset purchases in CAPPs Financials were optional and could be circumvented, and CAPPs Financials did not always work as intended.

The Commission generally ensured that the assets it disposed of within CAPPs Financials were also disposed of in SPA. A total of 2,044 (99 percent) of the 2,055 disposed assets in CAPPs Financials were also disposed of in SPA. However, the Commission did not ensure that (1) its disposed assets were properly approved prior to disposal, and (2) those documented approvals were maintained, as required by its policies and procedures. For 7 (64 percent) of 11 disposed assets tested, either disposal was not appropriately approved or approval could not be verified.

Correctly identifying and tagging assets as capitalized or controlled in CAPPs Financials is important because, while SPA is currently the Commission's system of record for assets, the Comptroller's Office is planning to retire SPA by September 2024. CAPPs Financials will then become the primary system for the Commission's assets.

### Asset Definitions

- A **capitalized asset** is an asset with an estimated useful life greater than one year with a value greater than the thresholds established by the Comptroller's Office for that asset type.
- A **controlled asset** is an asset with value equal to or greater than the cost established by the Comptroller's Office and that the State has determined to be a high loss risk to be secured and tracked.

Source: Title 34, Texas Administrative Code, Section 5.200.

<sup>3</sup> The risk related to the issues discussed in Chapter 2 is rated as Priority because they present risks or results that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

**The Commission's asset data is incomplete in both SPA and CAPPs Financials.**

**Incomplete asset data in SPA.** The Commission did not update SPA with its capitalized and controlled assets in CAPPs Financials. A total of 3,525 (70 percent) of 5,037 capital and controlled assets in CAPPs Financials were not in SPA as required by statute. Texas Government Code, Section 403.273, requires that state agency property records accurately reflect the property that an agency possesses at all times. Specifically:

- 3,348 (95 percent) of the 3,525 assets were purchased from September 2019 through December 2020. The Commission manually entered the assets into CAPPs Financials as they were distributed to staff.
- 109 (3 percent) of the 3,525 assets were in "received" status in CAPPs Financials and therefore did not get posted in SPA. For 70 of these assets, CAPPs did not accurately update the status of these assets from "received" to "in-service" as it should have after completing payment for the asset. For the remaining 39 assets, please see the section on user errors below. An asset has to have an "in-service" status before it gets posted in SPA.
- The remaining 68 (2 percent) of the 3,525 assets were not in SPA for various other reasons. For example, for seven of these assets, the Commission asserted that the interface between CAPPs Financials and SPA did not work correctly to create the asset record in SPA.

Not entering assets in a timely manner and not maintaining accurate and complete records in SPA increases the risk of loss or misuse of assets and data and could lead to inaccurate financial reporting.

**Incomplete asset data in CAPPs Financials.** The Commission did not track all of its asset purchases in CAPPs Financials. For example, the Commission purchased 3,300 laptops through the Department of Information Resources in December 2020, tracked them outside of CAPPs Financials, and entered them as assets in CAPPs Financials as they were distributed to staff. However, as of June 2021, 1,108 of these laptops, purchased for \$1.7 million, were still not in CAPPs Financials or SPA.

Additionally, the Commission cannot ensure that all of the capitalized and controlled assets are identified as assets in CAPPs Financials if the controls designed to identify capitalized and controlled assets in CAPPs Financials are bypassed.

Certain controls in CAPPs Financials are designed to ensure that an asset will be (1) appropriately identified as a capitalized asset based on the account code entered, if applicable, during the requisition process, (2) assigned an asset ID, and (3) received before the payment is processed. (See text box for more information on controls.)

However, these controls are optional and can be bypassed by users in certain roles. The controls are designed to be optional because the Commission may need to bypass them in certain circumstances. For example, to make payments for construction projects in progress where the assets will be received at the conclusion of the project, the accounts payable department may need to remove the receipt requirements to make interim payments.

When these controls are bypassed, CAPPs Financials might not create an asset record in the Asset Management module, and the purchase might no longer be identified as an asset purchase in CAPPs Financials. When the receipt requirement is removed in CAPPs Financials, the Commission cannot ensure that it receives an asset prior to paying for it.

In addition, the Commission did not provide guidance or training on when it was appropriate to bypass these controls, and it did not require a documented reason for bypassing the controls. By not providing guidance, the Commission cannot ensure that (1) optional controls are used as intended, and (2) all capitalized and controlled acquired assets are identified in CAPPs Financials. Because of these issues, the auditors cannot be certain that the asset data reviewed in this audit is complete.

Besides impacting the completeness of data in CAPPs, bypassing controls can cause data to be missing or inaccurate. (See next section for more details.)

**Inaccuracies caused by optional controls in CAPPs Financials.** Based on a data analysis of the 5,455 assets that the Commission acquired from September 1, 2019, through March 31, 2021:

- **Serial numbers.** There were 79 capitalized assets with no serial numbers in the asset data. A review of 4 of the 79 assets showed that these were missing serial numbers because assets had their receipt requirements bypassed. A serial number is important because a manufacturer uses it to

#### CAPPs Financials Controls

When a purchase and its associated requisition includes an asset, there are three optional controls in CAPPs Financials:

- (1) A capitalization checkbox in requisitions for capital asset purchases.
- (2) A receipt checkbox for the asset during payment.
- (3) A valid asset ID requirement during payment.

CAPPs Financials allows users in certain roles to uncheck these boxes and remove the receipt or asset requirements. When these requirements are removed, CAPPs Financials displays a warning message to alert the user that these fields are required, but this warning will not prevent removal of these requirements.

Source: The Commission.

identify an asset to provide maintenance and warranty services. Also, in the absence of a valid asset ID, the serial number might be useful in tracking and locating an asset.

- **Asset IDs.** A total of 65 capitalized and controlled assets had invalid asset IDs generated by CAPPs Financials instead of having IDs assigned by the AMO as required by Commission processes. A review of 3 of the 65 assets showed that all 3 had their receipt or capitalization requirements bypassed. The asset ID in CAPPs Financials should correspond to the asset ID number assigned to the asset. The asset ID tag is used to track the physical location of the assets. When these do not match, the Commission cannot easily associate an asset in the system with the physical asset during inventory.
- **Review by AMO.** The Commission did not ensure that all capitalized and controlled assets were reviewed by the AMO prior to purchase. The Commission's policies and procedures require that all requisitions that include an asset purchase be routed through the AMO to ensure that information about the asset is accurate. CAPPs Financials does not automatically route a requisition that includes an asset purchase through the AMO. AMO review is optional and has to be added to the approval workflow by the final approver. However, 9 (47 percent) of 19 acquired assets tested were not routed through the AMO prior to final requisition approval as required.

This review is important because if the controls related to assets are bypassed, this review may be the only way for the AMO to be aware of an asset purchase. Without a review from the AMO, purchases containing assets may not be properly identified and tracked in CAPPs Financials or SPA, which could result in inaccurate or incomplete data in these systems.

**User errors also contributed to inaccuracies in CAPPs Financials.** Additional inaccuracies in CAPPs Financials asset data result from errors made by Commission staff. For example:

- For 1 (3.5 percent) of the 29 assets tested, the Commission inaccurately associated payment for a quantity of 7 assets with 1 asset ID in CAPPs Financials. Because a quantity of 7 assets was associated with only 1 asset ID, this asset did not post in SPA.
- Data analysis showed that freight, shipping, and deposit costs were improperly assigned asset IDs. These costs should be included in the cost of assets, but they should not have been created as assets themselves.

Two of these entries appear as “in-service” assets in both CAPPs Financials and SPA. The other two have been corrected by the AMO.

- A total of 39 assets identified during auditors’ comparison of CAPPs Financials and SPA discussed above remained in “received” status in CAPPs Financials instead of being changed to “in-service” status after the associated invoices were paid. One of the reasons this happened was that CAPPs Financials requires the whole asset to be paid for through a single funding code. When the Commission partially assigned the asset to multiple funding codes, CAPPs Financials could not complete the process to change the asset status. The correct status is important, because the asset will not post to SPA without having the “received” status.

CAPPs Financials is not always working as intended. Other errors were caused by inconsistencies in certain functions of CAPPs Financials. For example, CAPPs Financials did not always correctly tag an asset as capitalized or controlled. When an asset is a capitalized or a controlled asset, CAPPs should automatically tag it to a capitalized or controlled asset book. However, this process did not always work. There were 121 records in the asset acquisition data that may be capitalized or controlled asset purchases based on the account code and the Comptroller’s Office object description, but were not tagged to the capitalized or controlled asset book. Auditors selected 3 of the 121 records for further review. Two of the three assets reviewed should have been posted to the capitalized or controlled asset books. One of these two assets was not included in SPA. Auditors and the Commission could not determine why this happened.

In addition, as discussed above, CAPPs Financials did not always accurately update the status of an asset from “received” to “in-service” when payment for that asset was made.

## Recommendations

The Commission should:

- Maintain documentation of its approvals for disposed assets.
- Ensure that asset disposals are approved and reviewed by different individuals.
- Ensure that all of its capitalized and controlled assets are in CAPPs Financials and SPA.

- Develop and implement policies on when the controls related to purchasing of assets can be bypassed in CAPPs Financials, including requiring a documented reason for bypassing the controls.
- Train its staff (1) on its new policies on the use of flexible controls in CAPPs and (2) on ensuring that the AMO reviews requisitions that include assets.
- Follow its processes in assigning asset IDs.
- Identify and correct errors in asset data.
- Investigate the causes of CAPPs Financials system issues to ensure that (1) assets are appropriately tagged as capitalized or controlled, as needed, and (2) CAPPs Financials correctly updates the status of an asset when payment for that asset is made.

### **Management's Response**

#### ***Recommendation 1.1***

*The Commission should:*

- *Maintain documentation of its approvals for disposed assets.*
- *Ensure that asset disposals are approved and reviewed by different individuals.*

#### ***Management Response***

#### **Statement of Agreement/Disagreement**

*Agrees with recommendation*

#### **Action Plan**

- *Asset Management will facilitate a workgroup with facilities and regional administrative services leadership to create a standard operating procedure and ensure documentation is maintained for its approvals for disposed assets.*
- *The asset manager for disposition will define the roles, review and train AMO disposition staff to ensure separation of duties are outlined and adhered to.*

Responsible Manager

Asset Management Office Director

Target Implementation Date

July 29, 2022

**Recommendation 1.2**

The Commission should:

- Ensure that all of its capitalized and controlled assets are in CAPPS Financials and SPA.
- Investigate the causes of CAPPS Financials system issues to ensure that (1) assets are appropriately tagged as capitalized or controlled, as needed, and (2) CAPPS Financials correctly updates the status of an asset when payment for that asset is made.

**Management Response**

Statement of Agreement/Disagreement

Agrees with recommendation

Action Plan

- The CAPPS Financials IT team will work together with Asset Management Operations to ensure that the existing support ticket issue related to CAPPS modules and State Property Accounting (SPA) interfaces are prioritized to address automated asset creation of capitalized and controlled assets.
- The CAPPS Financials IT team will work together with Asset Management Operations to prioritize the existing support Customer Service Request. The CSR will investigate the causes of CAPPS Financials system issues and ensure application functionality will appropriately tag assets as capitalized or controlled; as well as, correctly update the asset(s) status(es) when payments are made.

Responsible Manager(s)

Director IT Applications

CAPPS Financials and HCM Manager

Deputy Director, Asset Management Operations



Target Implementation Date

December 1, 2022

**Recommendation 1.3**

*The Commission should:*

- *Develop and implement policies on when the controls related to purchasing of assets can be bypassed in CAPPS Financials, including requiring a documented reason for bypassing the controls.*
- *Train its staff (1) on its new policies on the use of flexible controls in CAPPS and (2) on ensuring that the AMO reviews requisitions that include assets.*
- *Follow its processes in assigning asset IDs.*

**Management Response**

Statement of Agreement/Disagreement

*Agrees with recommendation*

Action Plan

- *CFO Accounting will update the Accounts Payable Policy and Procedures to include a policy on the correct use of the control flags and how to properly document the reason for lifting these flags in the comments section of the voucher.*
- *CFO Accounting will conduct training on the new policy for the correct use and documentation of control flags for CFO, Regional and Facility Accounting Level 1 Support staff with access to lift these controls. Accounting Chart field Approval staff will continue to assist in the Workflow process by adding AMO staff as additional requisition approvers when an asset account code is identified but are not responsible for maintaining Workflow requirements*
- *Updates to the Accounts Payable Policy and Procedures will document the coordination between accounting and AMO staff in properly assigning asset IDs when processing payments.*

Responsible Manager

*Deputy Director for Accounting Operations*

Target Implementation Date

- *Implementation date – January 31, 2022*
- *Implementation date – February 28, 2022*
- *Implementation date – January 31, 2022*

**Recommendation 1.4**

*The Commission should:*

- *Identify and correct errors in asset data.*

**Management Response**

Statement of Agreement/Disagreement

*Agrees with recommendation*

Action Plan

*HHSC needs more time to assess both short-term and long-term solutions to address the audit recommendation. There are various areas within HHSC that share responsibility for the implementation of this recommendation. HHSC plan to further assess the feasibility of options to ensure the risks identified by the auditors are appropriately mitigated.*

Responsible Manager

*Associate Commissioner, Strategic Operations*

Target Implementation Date

*March 31, 2022*

## The Commission Established Processes and Controls to Help Ensure That Purchasing and Payment Data in CAPPs Financials Was Properly Supported, Approved, and Accurate

**Chapter 3  
Rating:  
Low <sup>4</sup>**

The Commission had processes and controls in place to ensure the accuracy and completeness of (1) the purchasing data and (2) the accounts payable (payment) data within CAPPs Financials.

In CAPPs Financials, the requisitions and purchase orders are created in eProcurement/Purchasing modules, and the payments are processed through the payment vouchers created in the Accounts Payable module. The Commission processed 36,118 unique purchase orders and 296,761 unique payment vouchers from September 1, 2019, through March 31, 2021. Auditors tested a sample of these. See Table 2 for details.

Table 2

Purchasing and Accounts Payable Information from September 1, 2019, through March 31, 2021				
	Purchasing		Accounts payable	
	Number of Purchase Orders	Dollar Amount	Number of Payment Vouchers	Dollar Amount
<b>Total</b>	36,118	\$4,237,542,006	296,761	\$23,198,254,304
<b>Tested</b>	44	\$423,885	40	\$3,142,034

Source: Auditors' analysis of data from the Commission.



**Purchasing.** All 244,696<sup>5</sup> transactions related to purchase orders in CAPPs were approved by a person other than the requestor. In addition, all 44 purchase orders tested had supporting documentation, and 37 of those purchases that required a requisition had the required approvals in the requisition.

In addition, CAPPs had automated controls in place in the Purchasing module to ensure that required information was entered. For example, to create a requisition, CAPPs requires certain information to be entered, including price and quantity. CAPPs also checks for available funds prior to processing a purchase order.

<sup>4</sup> The risk related to the issues discussed in Chapter 3 is rated as Low because audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

<sup>5</sup> Each purchase order may have multiple transactions associated with it.



**Accounts Payable.** All 40 payments tested were (1) appropriately approved in the CAPPs Accounts Payable module by an individual other than the person entering the voucher and (2) made in amounts supported by invoices and other documentation as applicable. No significant errors were identified in CAPPs for any of the 40 payments tested.

Like the Purchasing module, the Accounts Payable module had certain application controls in place to ensure that required information was entered prior to processing a payment. These application controls require a user to enter certain data before creating a payment voucher. This data included invoice date, invoice ID, and invoice receipt date. In addition, CAPPs did not allow approval authority to be delegated. Approval had to be provided by the individual listed as the approver in the CAPPs workflow.

## ***The Commission Established Segregation of Duties in CAPPs Financials and Adequately Managed Changes to the Application; However, It Did Not Manage Access Appropriately***

---

The Commission established appropriate segregation of duties in the Accounts Payable module of CAPPs Financials. In addition, it maintained adequate change management practices. However, there were significant weaknesses in the Commission's management of access to the CAPPs Financials application and database.

Chapter 4-A

### **The Commission Designed Appropriate Access Controls for Its IT Systems; However, It Did Not Ensure That These Controls Are Implemented and Operating Effectively**

Chapter 4-A  
Rating:  
Priority <sup>6</sup>

While the Commission designed appropriate access controls for its IT systems, auditors identified significant weaknesses in the Commission's ability to manage access to the CAPPs Financials application and database.

To minimize security risks, auditors communicated details about the identified weaknesses separately to the Commission's management, in writing.

Pursuant to Standard 9.61 of the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards*, certain information was omitted from this report because that information was deemed to present potential risks related to public safety, security, or the disclosure of private or confidential data. Under the provisions of Texas Government Code, Section 552.139, the omitted information is also exempt from the requirements of the Texas Public Information Act.

---

<sup>6</sup> The risk related to the issues discussed in Chapter 4-A is rated as Priority because the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

## The Commission Developed Controls to Ensure Proper Segregation of Duties for Accounts Payable in CAPPS Financials and Appropriately Managed System Changes

Chapter 4-B  
Rating:  
Low <sup>7</sup>

**Segregation of Duties.** The Commission's Accounts Payable Department runs a monthly report to ensure that users are not assigned roles where they could both create and approve transactions. This is how the Commission ensures segregation of duties between the creator of a payment voucher and the final approver of the payment. The user role assignments in CAPPS Financial showed that no user was assigned both the creator and the approver roles.

**Change Management.** The Commission established a change management process for its CAPPS Financials system. Specifically, the Commission appropriately documented, authorized, and tested all 25 changes reviewed.

---

<sup>7</sup> The risk related to the issues discussed in Chapter 4-B is rated as Low because audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

---

### **Objective**

The objective of the this audit was to determine whether the Health and Human Services Commission (Commission) has ensured the accuracy, security, and completeness of the data in its Centralized Accounting Payroll/Purchasing System (CAPPS) Financials by evaluating the design and operating effectiveness of selected controls and modules.

### **Scope**

The scope of this audit covered selected CAPPS Financials general controls and related key processes; application controls; and selected financial data in purchasing, accounts payable, and asset management modules from September 1, 2019, through March 31, 2021. The scope for the review of selected changes was September 1, 2019, through February 28, 2021.

### **Methodology**

The audit methodology included conducting interviews with Commission management and staff; collecting information, documentation, policies, and procedures related to the CAPPS Financials system; reviewing access to and change management for CAPPS Financials; assessing selected application controls; testing accuracy and completeness of data in selected modules in CAPPS Financials; and analyzing and evaluating the results of those tests.

### **Data Reliability and Completeness**

Auditors assessed the reliability and completeness of the data sets listed below to address the audit objective.

**CAPPS data files.** Auditors obtained the following data populations from CAPPS Financials that were used during the audit:

- Purchase orders that were created in CAPPS from September 1, 2019, through March 31, 2021.

- Payment vouchers<sup>8</sup> that were entered into CAPPs from September 1, 2019, through March 31, 2021.
- Assets that were acquired and disposed in CAPPs from September 1, 2019, through March 31, 2021.

To assess the reliability and completeness of the data, auditors performed procedures including (1) observing extraction of data, (2) reviewing the query language or query parameters that Commission used to extract the data, (3) performing an analysis of the data to identify missing data, duplicates, or outliers, and (4) testing samples. Auditors also evaluated the effectiveness of selected general controls over CAPPs.

Auditors determined that the purchase order and payment voucher data obtained from CAPPs Financials was sufficiently reliable for the purposes of this audit.

As discussed in this report, the asset data in CAPPs Financials was not always reliable. However, the data was the most complete information available, and the auditors used the data for the purposes of this audit.

**CAPPs user tables.** In addition to the data mentioned above, auditors obtained entire tables from CAPPs Financials containing application and database user and password data. To obtain these tables, auditors (1) compiled and provided queries to the Commission, and (2) observed as the Commission ran these queries.

Auditors determined that this data was sufficiently reliable for the purposes of this audit.

**CAPPs changes.** Auditors obtained the CAPPs changes from STAT, the Commission's work ticketing system, that were implemented between September 1, 2019, and February 28, 2021. Auditors (1) observed extraction of the data and (2) reviewed the query language or query parameters that Commission used to extract the data.

Auditors determined that this data was sufficiently reliable for the purposes of this audit.

### **Sampling Methodology**

Auditors selected nonstatistical random and directed samples of (1) purchase orders, (2) payment vouchers, (3) asset IDs, and (4) changes to address the

---

<sup>8</sup> The voucher data excludes data that was processed outside of CAPPs Financials and comes into CAPPs Financials as a batch file for payment only—for example, managed care claim data or interest payments. It also excludes closed vouchers that have been deleted from the Uniform Statewide Accounting System (USAS) and not paid.



audit objectives. Below are descriptions of the sampling methodology used for each element of the audit objective.

If the sampling methodology is marked as random, that sample is representative of that population and it would be appropriate to project those test results to the population, but the accuracy of the projection cannot be measured (please see footnote *a* in Table 3 for exceptions). If the sampling methodology is marked as directed, that sample is not representative and it would not be appropriate to project those test results to the population.

Table 3

Total Populations and Samples Selected for the Time Period from September 1, 2019, through March 31, 2021			
Description	Sample Methodology	Population Size	Sample Size
<b>Purchasing Module</b>			
Purchase Order IDs (PO ID) created in CAPPs	Random	36,118	40
PO IDs with asset purchases	Directed	407	4
PO IDs related to contracts that do not have approvals in the associated requisition or the purchase order	Random	57	6
PO IDs not related to contracts that do not have approvals in the associated requisition or the purchase order	Random	22	5
<b>Accounts Payable Module</b>			
Payment Voucher IDs in audit population	Random <sup>a</sup>	296,761	40
<b>Asset Management Module</b>			
Assets in the population of acquired assets	Random <sup>b</sup>	5,455 <sup>c</sup>	29
Assets in the population of disposed assets	Random <sup>b</sup>	2,116	11
<b>Information Technology - Change Management</b>			
Changes to CAPPs performed between September 1, 2019, and February 28, 2021	Stratified random <sup>a</sup>	1,091	25
<sup>a</sup> These samples are not representative of the populations and it would not be appropriate to project those test results to the population. <sup>b</sup> Auditors tested a sample of 40 assets, stratified based on type of asset (acquired and disposed). <sup>c</sup> Includes assets related to constructions in progress.			

Through data analysis, auditors identified certain subpopulations of acquired asset data that required further inquiry. Auditors selected directed examples from those subpopulations for further review. Therefore, it would not be appropriate to project those test results to the population. Those subpopulations and number of examples are listed in Table 4 on the next page.

Table 4

Subpopulations and Examples Selected from the Asset ID population		
Description of Subpopulation	Subpopulation Size	Example Size
Assets with asset IDs that do not conform to the Commission standards.	131	21
Assets in “received” status. <sup>a</sup>	141	4
Assets that appear to be capital or controlled assets based on account codes and the comptroller object codes, but were not included in the capital or controlled asset books in CAPPs.	121	3
Possible duplicate asset IDs in the population of disposed assets.	110	3
Assets included in the Commission’s asset ID database that the Commission could not locate in CAPPs.	1,744	8
Assets with blank serial number fields in CAPPs.	84 <sup>b</sup>	6
<p><sup>a</sup> Auditors noted that some assets had been in “received” status since October 30, 2019, and pulled all assets in “received” status as a subpopulation for further review.</p> <p><sup>b</sup> This subpopulation includes five asset IDs that the Commission corrected in CAPPs, which caused a duplicate entry. Of the six examples reviewed, two were duplicates. Chapter 2 includes the correct population of 79.</p>		

Information collected and reviewed included the following:

- Commission policies and procedures.
- Change management requests and password parameters related to CAPPs Financials.
- List of Commission users and roles assigned in CAPPs Financials.
- Periodic user access review documents and other supporting documentation related to general controls over CAPPs Financials.
- Data related to purchase orders, accounts payable vouchers, and assets from CAPPs Financials and other supporting documentation.
- Asset data from the State Property Accounting (SPA) system.
- Screenshots from Archer, the Commission’s system that maintains risk assessment documentation for Commission applications
- Commission’s Risk Assessment Report for CAPPs.

Procedures and tests conducted included the following:

- Interviewed Commission staff and management to identify the Commission's processes related to purchasing; accounts payable and asset management, including internal controls; and related automated processes.
- Tested a sample of changes made to CAPPs Financials to determine whether the Commission has processes and internal controls to ensure that changes were appropriately documented, approved, and migrated.
- Tested user access to and password controls for the CAPPs Financials application and the underlying database to determine whether the Commission appropriately restricted access.
- Tested samples of purchase orders, payment vouchers, and assets to determine whether the Commission has processes and related controls to ensure that key information associated with those samples is accurate and complete in CAPPs Financials.
- Tested certain application controls in the CAPPs Financials purchasing, accounts payable, and asset management modules.
- Performed data analysis on the asset data to ensure that it was appropriately tracked and recorded in accordance with SPA process requirements.

Criteria used included the following:

- Commission *Information Security Controls* V.1.1, Appendix B and C
- Commission *eProcurement Requisition and Request Document Entry User Guide*
- Commission *Approval and Signature Authority* for agency contracts (Circular C-046)
- Commission *Procurement and Contract Management Handbook*
- Commission *Accounts Payable Policy & Procedures Handbook*
- Commission *Asset Management Guide*
- Comptroller of Public Accounts' *SPA Process User's Guide*
- Comptroller of Public Accounts' Reporting Requirements for the Annual Financial Reports of State Agencies and Universities

- Title 34, Texas Administrative Code, Chapter 5

### **Project Information**

Audit fieldwork was conducted from January 2021 through November 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Those standards also require independence in both fact and appearance. During the audit, legislative funding was vetoed. This condition could be seen as potentially affecting our independence in reporting results related to this agency. However, we proceeded with this audit as set forth by the annual state audit plan, operated under the Legislative Audit Committee. We believe this condition did not affect our audit conclusions.

The following members of the State Auditor's staff performed the audit:

- Serra Tamur, MPAff, CISA, CIA (Project Manager)
- Bianca F. Pineda, CFE, CGAP (Assistant Project Manager)
- Ryan Marshall Belcik, MBA, CISA
- Jenna Perez, MAcy
- Armando S. Sanchez, MBA
- Daniel Aung Thu
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Becky Beachy, CIA, CGAP (Audit Manager)

## ***Issue Rating Classifications and Descriptions***

---

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 5 provides a description of the issue ratings presented in this report.

Table 5

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

## Internal Control Components

Internal control is a process used by management to help an entity achieve its objectives. The U.S. Government Accountability Office's *Government Auditing Standards* require auditors to assess internal control when internal control is significant to the audit objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a framework for 5 integrated components and 17 principles of internal control, which are listed in Table 6.

Table 6

Internal Control Components and Principles		
Component	Component Description	Principles
Control Environment	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.	<ul style="list-style-type: none"> <li>▪ The organization demonstrates a commitment to integrity and ethical values.</li> <li>▪ The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.</li> <li>▪ Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.</li> <li>▪ The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.</li> <li>▪ The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.</li> </ul>
Risk Assessment	Risk assessment is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.	<ul style="list-style-type: none"> <li>▪ The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.</li> <li>▪ The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.</li> <li>▪ The organization considers the potential for fraud in assessing risks to the achievement of objectives.</li> <li>▪ The organization identifies and assesses changes that could significantly impact the system of internal control.</li> </ul>
Control Activities	Control activities are the policies and procedures that help ensure that management's directives are carried out.	<ul style="list-style-type: none"> <li>▪ The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.</li> <li>▪ The organization selects and develops general control activities over technology to support the achievement of objectives.</li> <li>▪ The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.</li> </ul>

Internal Control Components and Principles		
Component	Component Description	Principles
Information and Communication	Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.	<ul style="list-style-type: none"> <li>▪ The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.</li> <li>▪ The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.</li> <li>▪ The organization communicates with external parties regarding matters affecting the functioning of internal control.</li> </ul>
Monitoring Activities	Monitoring is a process that assesses the quality of internal control performance over time.	<ul style="list-style-type: none"> <li>▪ The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</li> <li>▪ The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.</li> </ul>

Source: Internal Control - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, May 2013.

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

### **Office of the Governor**

The Honorable Greg Abbott, Governor

### **Health and Human Services Commission**

Ms. Cecile Young, Executive Commissioner





This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: [www.sao.texas.gov](http://www.sao.texas.gov).

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government visit <https://sao.fraud.texas.gov>.