



An Audit Report on

# The Centralized Accounting and Payroll/Personnel System Financials at the Texas Education Agency

- CAPPS Financials contained accurate records of assets that the Agency purchased, but the State Property Accounting (SPA) system was missing 28 percent of assets tested.
- The Agency did not retain documentation that supported disposals of assets, and it did not consistently update CAPPS Financials with asset disposal data from SPA.
- The Agency ensured that purchasing and payment data in CAPPS Financials was accurate.

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State Auditor

The Texas Education Agency (Agency) established adequate processes and controls in Centralized Accounting and Payroll/Personnel System (CAPPS) Financials for its purchases and payments, and it appropriately managed access to the system. However, the Agency's active asset data in State Property Accounting (SPA), its system of record for assets, was not complete. In addition, the Agency did not maintain support for disposals of its assets.

- [Background](#) | p. 3
- [Audit Objective](#) | p. 14

*This audit was conducted in accordance with Texas Government Code, Section 321.0132.*

## **HIGH**

### **ASSET MANAGEMENT**

The Agency should ensure that the asset data in SPA is complete, and it should maintain documentation to support disposals of assets.

[Chapter 1 | p. 8](#)

## **LOW**

### **PURCHASING AND PAYMENTS**

The purchasing and payment data in CAPPS Financials was properly supported, approved, and accurate.

[Chapter 2 | p. 11](#)

## **LOW**

### **INFORMATION TECHNOLOGY**

The Agency's application and access controls in CAPPS Financials were adequate.

[Chapter 3 | p. 13](#)

For more information about this audit, contact the Audit Manager, Courtney Ambres-Wade, or Lisa Collier, State Auditor, at 512-936-9500.

September 2022 | Report No. 23-001

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## Summary of Management Response

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Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The Agency's management agreed with the recommendations.

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## Ratings Definitions

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Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

**PRIORITY:** 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(s) and reduce risks to the audited entity.

**HIGH:** 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(s) and reduce risks to the audited entity.

**MEDIUM:** 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(s) and reduce risks to a more desirable level.

**LOW:** 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.

For more on methodology for issue ratings, see Report Ratings on p. 18.

# Background Information

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## CAPPS Financials

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The Texas Education Agency (Agency) implemented Centralized Accounting and Payroll/Personnel System (CAPPS) Financials during fiscal year 2015. After receiving a baseline version of CAPPS Financials from the Office of the Comptroller of Public Accounts, the Agency customized the application and implemented it on its own infrastructure by using a third-party contractor, which also provided ongoing maintenance and support. However, the General Appropriations Act (87th Legislature) required the Agency to maintain CAPPS Financials using internal resources rather than contracted services, to reduce costs. As a result, Agency staff has been responsible for the maintenance and support of the CAPPS Financials application since September 1, 2021 (see text box for more details).

CAPPS Financials includes (1) Purchasing/eProcurement (Purchasing), (2) Accounts Payable, (3) Asset Management, and (4) General Ledger/Commitment Control (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, the Agency manually initiates a process to transfer asset data from CAPPS Financials to the State Property Accounting (SPA) system, which is the Agency's system of record for asset management. (See Figure 1 on the next page.)

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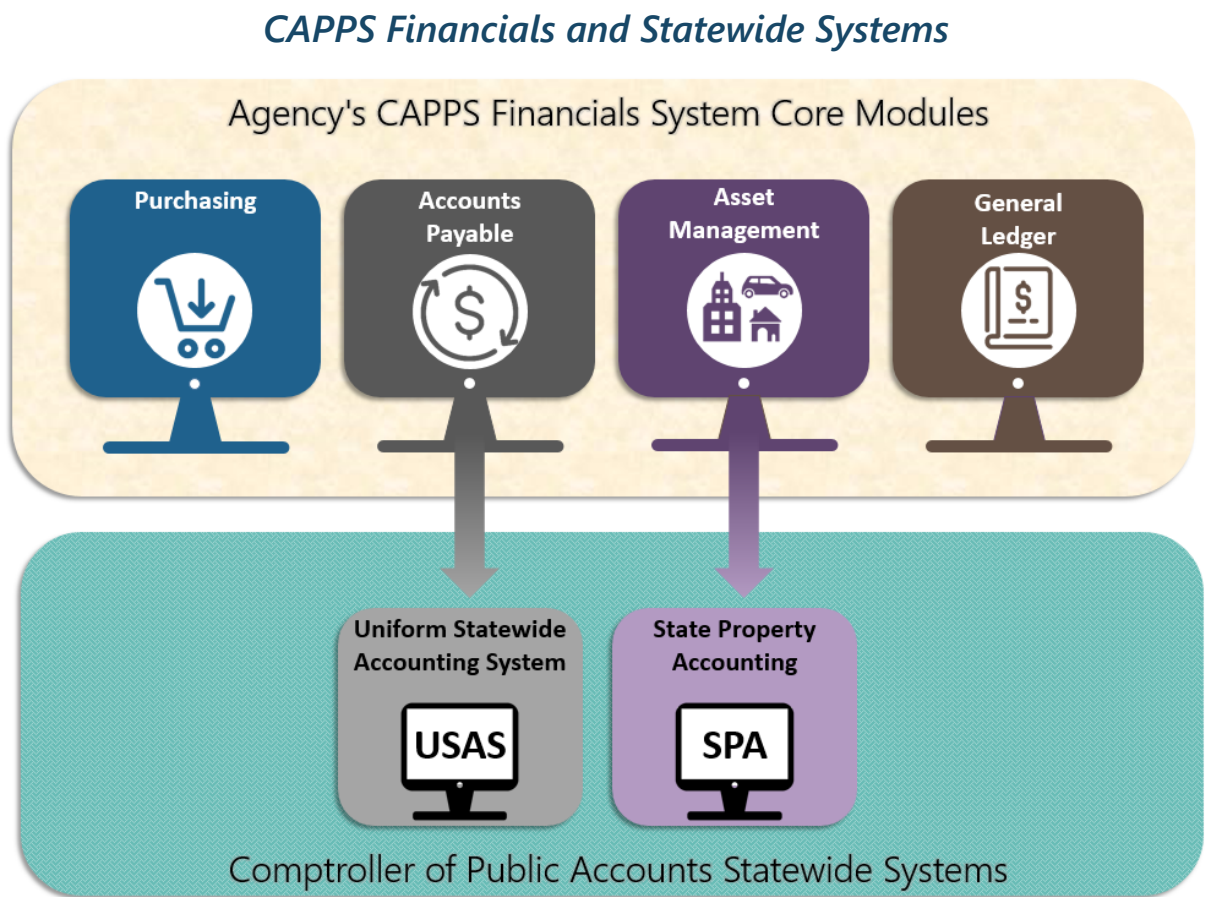
### Agency Maintenance of CAPPS

The General Appropriations Act (87th Legislature), Article III, Section 1, Rider 80, instructed the Texas Education Agency to internally provide previously contracted maintenance services for certain software applications, including CAPPS Financials. The purpose of these changes is to reduce costs associated with contracted services for software application maintenance by bringing these functions in-house to be accomplished by Texas Education Agency employees.

Source: General Appropriations Act (87th Legislature).

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Figure 1

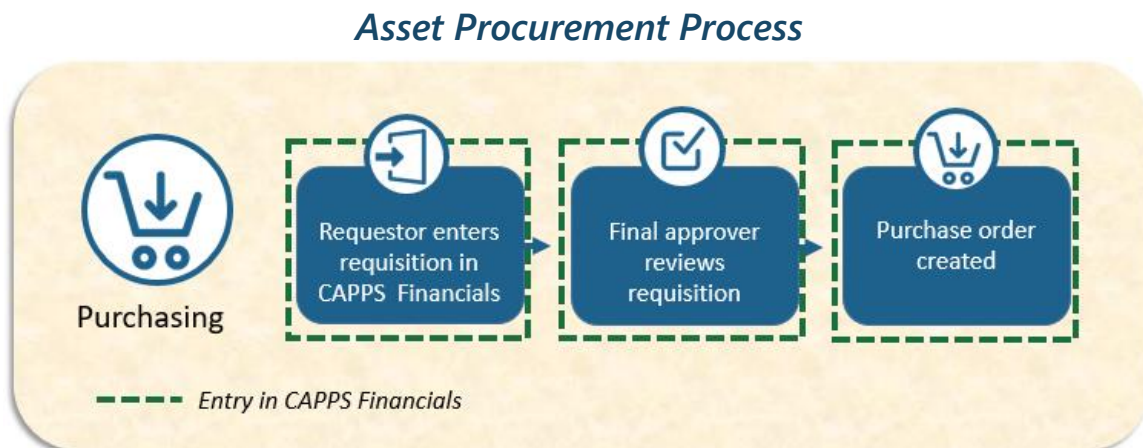


Source: Based on information provided by the Agency.

## Asset Management Process

**Asset Procurement.** The Agency’s asset management process starts when a requisition is entered into CAPPS Financials by a division or department. Agency policies require that the program director approve the amount of the requisition and that the Accounting department approve the accounting information entered for the requisition. Once both approvals are provided, the Agency’s Contracts and Purchasing Division creates a purchase order. Once the purchase order is completed, it is approved by the appropriate level of management, based on the amount. (See Figure 2.)

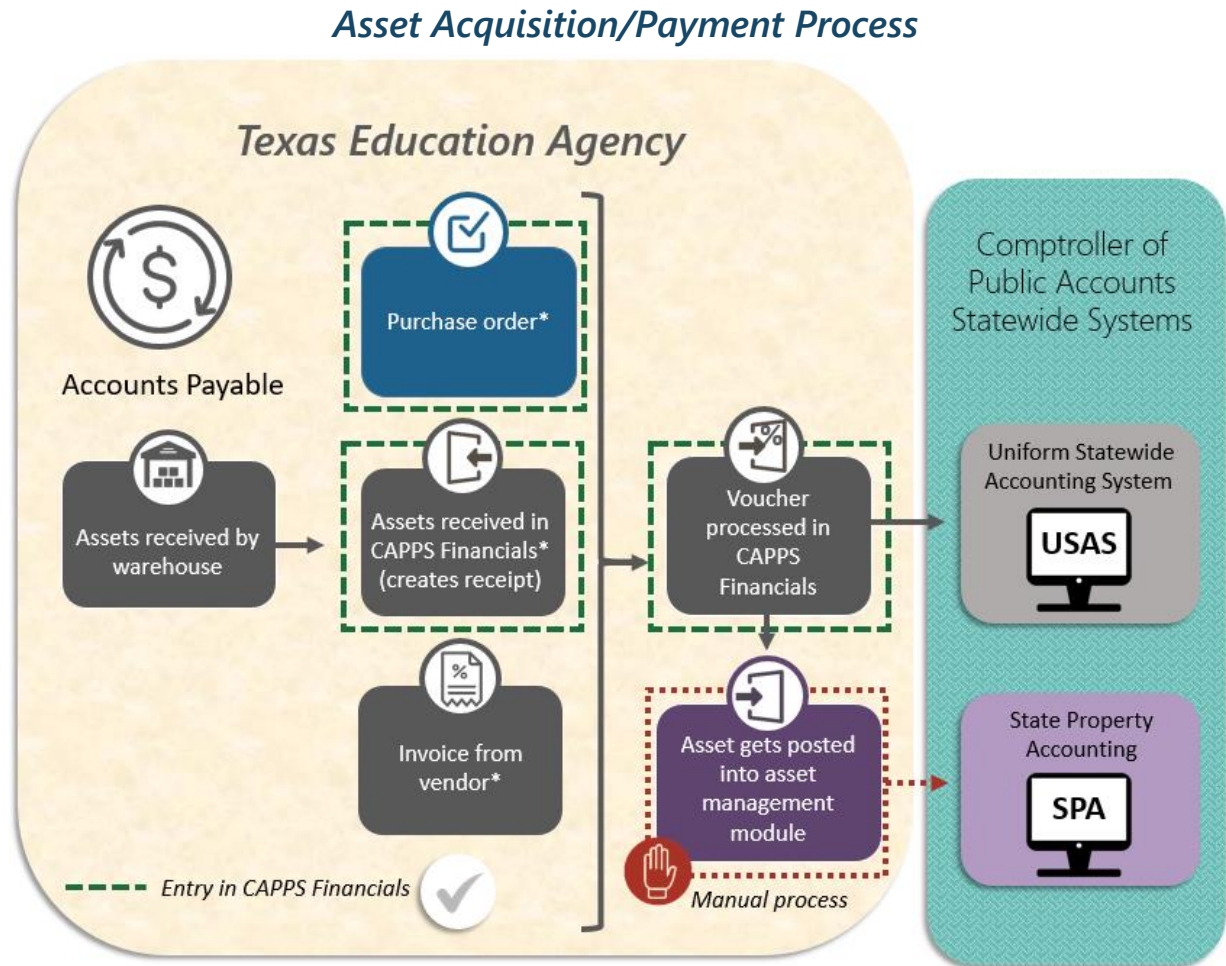
Figure 2



Source: Based on information provided by the Agency.

**Asset Acquisition and Payment.** Agency policies require a three-way match between an invoice, a receiving report (receipt), and a purchase order to process a payment for an asset. Once a payment voucher is approved, CAPPS Financials sends it to USAS for payment. (See Figure 3.) From September 1, 2020, to March 31, 2022, the Agency acquired 621 capitalized and controlled assets recorded in CAPPS Financials, totaling \$1,165,552.

Figure 3

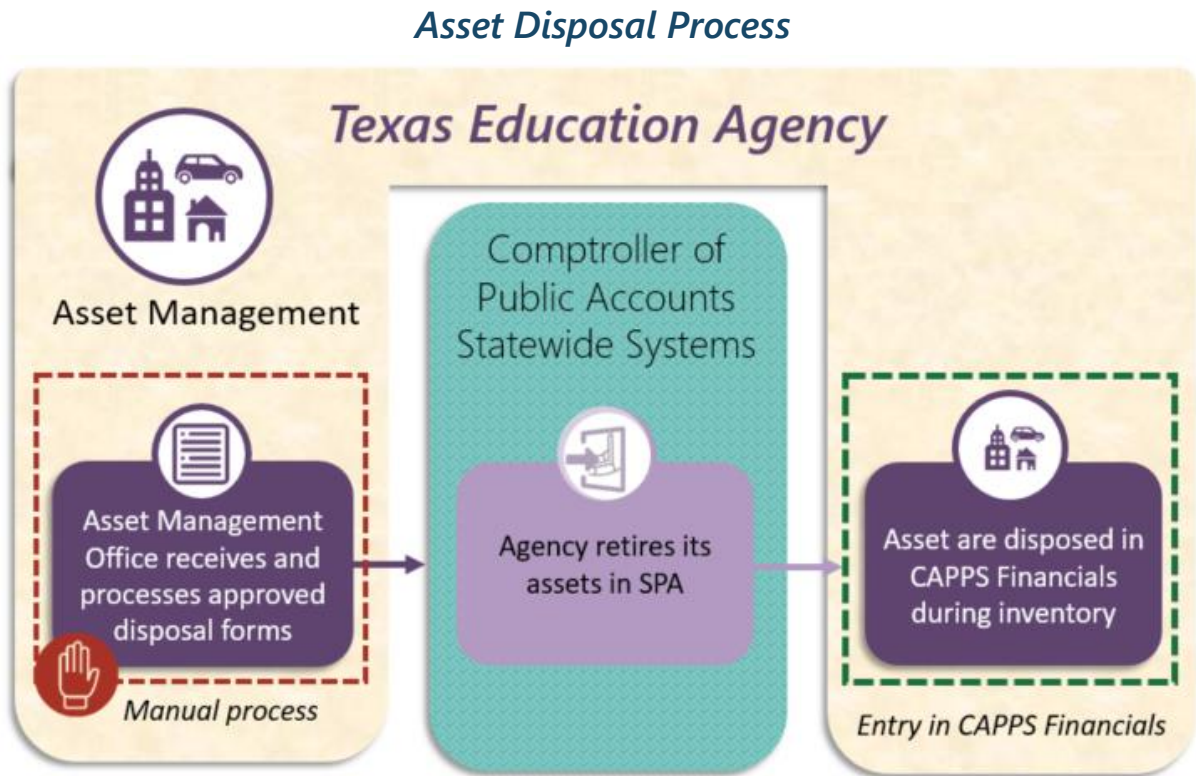


\*Purchase order, receipt, and invoice should have a 3-way match.

Source: Based on information provided by the Agency.

**Asset Disposal.** When the Agency disposes of an asset, the Agency Services Division receives a completed and approved form from the appropriate custodian. The asset is then disposed in SPA and later retired in CAPPS Financials, when an annual inventory is conducted. (See Figure 4.) From September 1, 2020, to March 31, 2022, the Agency disposed of 70 capitalized and controlled assets recorded in SPA, totaling \$400,256.

Figure 4



Source: Based on information provided by the Agency.



**HIGH**

## Chapter 1 Asset Management

The Agency should ensure that the asset data in the State Property Accounting System (SPA), its system of record, is complete, and it should maintain documentation to support disposals of assets.

**CAPPS Financials contained accurate records of assets the Agency purchased, but SPA did not always reflect these records.**



Asset Acquisition

**Incomplete Asset Data in SPA.** SPA was missing 173 (28 percent) of the 621 capitalized and controlled assets that the Agency acquired from September 1, 2020, through March 31, 2022. The total cost of these 173 assets was \$346,261. (See text box for asset definitions.) Texas Government Code, Section 403.273, requires that state agency property records accurately reflect the property that an agency possesses at all times.

The Agency has to manually initiate its process to record its assets in SPA, and it does not have any policies and procedures to indicate to staff how frequently this process should be run. From September 2020 through March 2022, the Agency ran its process to record its assets in SPA four times. As a result, these 173 assets, which were acquired between September 2021 and March 2022 and recorded in CAPPS Financials, did not get recorded in SPA until May 2022,

### 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.



after the auditors brought the issue to the Agency's attention.

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.

**Acquired Assets in CAPPs Financials.** Data in CAPPs Financials for capitalized and controlled assets acquired during the scope of the audit was complete and accurate. From September 1, 2020, through March 31, 2022, the Agency acquired 620<sup>1</sup> assets totaling \$1,162,472 in value. For all 56 (100 percent) acquired assets tested, the Agency ensured that key asset acquisition information was accurately recorded and properly supported within CAPPs Financials.

In addition, all capitalized and controlled assets acquired during the audit scope were assigned an asset ID and had serial numbers recorded in CAPPs Financials as required.

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## The Agency did not retain documentation to support disposals of its assets.

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Asset Disposal

**Lack of Supporting Documentation for Asset Disposals.** The Agency did not retain documentation to support its disposals of assets. The Agency requires that a form be completed and approved before the disposal of any asset, but it did not retain this form for any of the six disposed assets selected for testing. As a result, auditors could not verify that these six asset disposals were properly approved and accurately recorded in SPA.

Without retaining these forms to show approvals of asset disposals, the Agency increases the risk that it could dispose of assets inappropriately.

**Disposed Assets in CAPPs Financials.** The Agency did not consistently update CAPPs Financials with disposed asset data from SPA. Of the 70 capitalized and controlled assets identified as being disposed in SPA from September 1, 2020, through March 31, 2022, 23 (33 percent) were still recorded as being in-service in CAPPs Financials. These 23 assets were noted as disposed in SPA between April 2021 and August 2021.

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<sup>1</sup> One asset was purchased and disposed during the audit scope and it was included in the disposed asset population when the auditors were pulling the acquired and disposed asset samples.

Updating disposed asset data in CAPPs Financials is important, because the Comptroller's Office is planning to retire SPA by September 2024.

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## Recommendations

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The Agency should:

- Establish documented policies and procedures to ensure that all of its capitalized and controlled assets are recorded in CAPPs Financials and SPA accurately and timely.
- Maintain documentation of its approvals for asset disposals.

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## Management's Response

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### RECOMMENDATION

The Agency should: Establish documented policies and procedures to ensure that all of its capitalized and controlled assets are recorded in CAPPs Financials and SPA accurately and timely.

Agree. Texas Education Agency will establish and adhere to a procedure that prompts scheduled recording to SPA until the system is retired.

Title of the person responsible for implementing corrective action:  
Associate Commissioner Agency Finance

Timeline for implementation: 1 October 2022

### RECOMMENDATION

The Agency should: Maintain documentation of its approvals for asset disposals.

Agree. Texas Education Agency will establish and adhere to a procedure that requires retention of documents that evidence disposal approvals.

Title of the person responsible for implementing corrective action:  
Director of Agency Services

Timeline for implementation: 1 October 2022

**LOW**

## Chapter 2 Purchasing and Payments

The Agency established processes and controls to help ensure that purchasing and payment data in CAPPs Financials was properly supported, approved, and accurate.

In CAPPs Financials, the requisitions and purchase orders are created in the Purchasing module, and the payments are processed through the payment vouchers created in the Accounts Payable module. The Agency processed 1,672 unique purchase orders and 7,445 unique payment vouchers from September 1, 2020, through March 31, 2022. See Figure 5 for details.

Figure 5

### *Purchasing and Accounts Payable Information from September 1, 2020, through March 31, 2022*

Purchasing		Accounts Payable	
Number of Purchase Orders	Dollar Amount	Number of Payment Vouchers	Dollar Amount
1,672	\$744,666,513	7,445	\$620,984,239

Source: The Agency.



#### Purchasing

**Purchasing.** Each of the 1,672 purchase orders was associated with a requisition that was appropriately approved by someone other than the requestor.

The Agency revised its process for approving purchase orders in November 2021. To verify this process, auditors selected 15 purchase orders that were approved after November 1, 2021, and determined that all 15 were appropriately approved.

In addition, CAPPs Financials has automated controls in place in the Purchasing module to ensure that required information is entered. For example, to create

a requisition in CAPPs Financials, a user must enter information such as quantity, item description, and unit of measure. CAPPs Financials also requires approvals from a program director and the accounting department before a requisition can be processed.



#### Accounts Payable

**Accounts Payable.** All 60 payment vouchers tested were (1) appropriately approved in the CAPPs Financials 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.

Like the Purchasing module, the Accounts Payable module has automated controls in place to ensure that required information is entered before a payment can be processed. This includes information such as the service date, invoice received date, and payment voucher ID. Additionally, CAPPs Financials requires approval from the accounts payable manager before a payment voucher can be paid.

**LOW**

## Chapter 3 Information Technology

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The Agency established adequate application and access controls in CAPPS Financials.

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**Application Controls.** The Agency had edit checks for key data fields, and the automated controls over data entry into CAPPS Financials were adequately designed and operating effectively. Specifically, CAPPS Financials was configured so that certain transactions required (1) proper approvals and (2) complete and valid entries before processing. For further details on relevant application controls, please see Chapter 2.

**Access Controls.** The Agency's password controls in the CAPPS Financials application and database were sufficient. In addition, the logical access controls for CAPPS Financials were adequate to secure the data in the system. Both sets of controls generally complied with applicable standards and operated effectively.



## Appendix 1

# Objective, Scope, and Methodology

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### Objective

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

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### Scope

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The scope of this audit covered selected CAPPS Financials general controls and related key processes; application controls; and selected financial data in the purchasing, accounts payable, and asset management modules from September 1, 2020, through March 31, 2022. The scope also included a review of significant internal control components related to the accuracy, security, and completeness of data in CAPPS Financials.

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



- Serra Tamur, MPAff, CISA, CIA (Project Manager)
  - John Felchak, CISA (Assistant Project Manager)
  - Alexander Grunstein, CFE, CFCS
  - Jessica McGuire, MSA
  - Elijah Marchlewski
  - Nick Moore
  - Daniel Spencer, MSA, CFE
  - Quang Tran, CFE
  - Dana Musgrave, MBA, CFE (Quality Control Reviewer)
  - Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
  - Courtney Ambres-Wade, CFE, CGAP (Audit Manager)
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## Methodology

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We conducted this performance audit from January 2022 through August 2022 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 objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Agency management for consideration.

### Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Agency management and staff to identify the Agency's processes related to purchasing, payments, and its assets, including internal controls and information that supports those processes.
- Reviewed state laws, rules, and agency policies and procedures related to CAPPs Financials and the associated purchasing, payment, and asset management processes.
- Tested certain application controls in the CAPPs Financials purchasing, accounts payable, and asset management modules.
- Tested data to identify missing information in key fields and segregation of duties related to approvals of requisitions and vouchers.

To determine whether payment vouchers and the associated purchase orders, acquired assets, and retired assets were recorded and supported in CAPPs Financials in compliance with requirements in the Agency's policies and procedures related to purchasing, accounts payable, and assets; its contract management handbook; Texas Government Code, Chapters 403 and 2113; Texas Comptroller of Public Accounts Fiscal Management Guidelines and State Property Accounting System Process User's Guide; Texas Administrative Code, Title 34, Section 5.200, auditors:

- Reviewed documentation supporting the approvals of purchase orders approved after November 2021.

- Reviewed documentation for the approval and support of payment vouchers.
- Reviewed documentation for the acquisition and retirement of assets.
- Tested the nonstatistical samples described below in Figure 6.

To determine the Agency's compliance with information technology-related requirements in Title 1, Texas Administrative Code, Chapter 202, and the Agency's information technology policies and procedures, auditors:

- Tested selected general controls for the Agency's CAPPS Financials system.
- Tested the nonstatistical samples described below in Figure 6 for Information Technology.

Figure 6 on the next page includes determinations of whether or not samples were representative. If a sample was representative, it would be appropriate to project those test results to the population, but the accuracy of the projection could not be measured. If a sample was not representative, it would not be appropriate to project those test results to the populations.



Figure 6

***Total Populations and Samples Selected for the Time Period from September 1, 2020, through March 31, 2022***

Description	Population	Sample Size	Sampling Methodology <sup>a</sup>	Representative Determination
Non-Automated Process				
Purchase Order Approvals	212	15	Stratified Random	Representative
CAPPS Financials Accounts Payable Module				
Payment Voucher IDs associated with a Purchase Order in audit population	5,359	43	Stratified Random	Representative
Payment Voucher IDs not associated with a Purchase Order in audit population	2,086	17	Stratified Random	Representative
CAPPS Financials Asset Management Module				
Assets in the population of acquired assets	620	56	Stratified Random	Representative
Assets in the population of disposed assets	70	6	Stratified Random	Representative
Information Technology – User Access				
CAPPS Financials application accounts with access relevant to audit objective	624	252	Directed/Risk Based <sup>b</sup>	Not Representative
CAPPS Financials database accounts with access relevant to audit objective	120	8	Directed/Risk Based <sup>b</sup>	Not Representative

<sup>a</sup> A stratified random sample is representative. It would be appropriate to project those test results to the population, but the accuracy of the projection cannot be measured.

<sup>b</sup> A directed/risk based sample is not representative, and it would not be appropriate to project those test results to the population.

## Data Reliability and Completeness

Auditors (1) observed the Agency staff extract requested data populations, (2) reviewed data queries and report parameters, and (3) analyzed the populations for reasonableness and completeness. Auditors determined that the following populations were sufficiently reliable and complete for purposes of this audit:

- Population of purchase orders created, payment vouchers originating in a core module, and assets acquired by the Agency from September 1, 2020, through March 31, 2022, in CAPPS Financials.
- Population of CAPPs Financials users' and relevant password data for the application and databases.
- Population of all assets that were retired in SPA from September 1, 2020, through March 31, 2022.

As discussed in this report, the following asset data in CAPPs Financials and SPA was not always reliable; however, this data was the most complete information available, and the auditors used the data for the purposes of this audit:

- Population of retired assets in CAPPs Financials from September 1, 2020, through March 31, 2022.
- Population of active assets in SPA from September 1, 2020, through March 31, 2022.

## Report Ratings

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.

## Appendix 2

### Related State Auditor's Office Reports

Figure 7

Report Number	Report Name	Release Date
22-015	<i>An Audit Report on the Centralized Accounting Payroll/Purchasing System Financials at the Health and Human Services Commission</i>	December 2021
22-555	<i>State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021</i>	February 2022
22-014	<i>An Audit Report on the Audit of the Permanent School Fund's Fiscal Year 2021 Financial Statements</i>	December 2021
21-029	<i>An Audit Report on Selected Contracting Functions at the Texas Education Agency</i>	August 2021



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

The Honorable Joan Huffman, 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

## **Texas Education Agency**

Mr. Mike Morath, Commissioner of Education



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