

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of Texas Department of Motor Vehicles



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Department of Motor Vehicles' (Department) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS), Centralized Accounting and Payroll/Personnel System (CAPPS) and the Standardized Payroll/Personnel Reporting System (SPRS) during the period beginning June 1, 2016, through May 31, 2017, to determine compliance with applicable state laws.

The Department receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.

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.

Payroll transactions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and other pertinent statutes. A limited sample of voluntary contributions was also audited.

The audit of 60 employee personnel files identified:

- One employee file missing a prior state service verification.
- One incorrect longevity payment.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

The audit of 50 purchase transactions and four contracts identified:

- One of the four contracts had a purchase order that was created after the invoice.
- Four contracts where the required procurement process was not used; two did not follow the correct procurement process, and the other two were missing documentation evidencing the correct procurement process was followed.

The Department paid \$1,040.36 in prompt payment interest during the audit period.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes.

- No issues were identified.

Travel card transactions

The travel card transactions were audited for compliance with the GAA, [Textravel](#) and other pertinent statutes.

- No issues were identified.

Security

The audit included a security review to identify any of the Department's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

- No issues were identified.

Internal control structure

The Department's internal control structure was reviewed. The review was limited to obtaining an understanding of the Department's controls sufficient to plan the audit and did not include tests of control policies and procedures.

- No issues were identified.

Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the Department's internal system. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System.

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Department's payroll, purchase and travel transactions was concluded on Jan. 17, 2014.

During the current audit, the following recurring findings were identified:

- Missing prior state service verification.
- Incorrect longevity payment.

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DETAILED FINDINGS — PAYROLL

Missing Prior State Service Verification

Finding

Out of the 60 employees from our payroll sample, we identified one employee missing prior state service verification. The employee listed their prior state service time on their job application; however, the Department did not have documentation to show a state service verification was conducted at the time the employee was hired, and the Department explained this was due to oversight.

Agencies are required to maintain specific documentation to support the legality, propriety, and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time. See [Texas Payroll/Personnel Resource – Required Documentation](#).

During the audit, the Department obtained the prior state service verification form for the one employee in our sample, and provided the auditor with the required documentation to validate the longevity pay amounts for the employee. The modification of the state effective service date resulted in no impact on the employee's longevity calculation.

When an agency hires an employee, the agency must research whether the employee has previous state employment. If prior state employment exists, the agency must confirm the amount of lifetime service credit and properly record it, or run the risk of underpaying longevity pay. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

Recommendation/Requirement

We recommend the Department review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to an employee. See [34 Texas Administrative Code Section 5.40\(c\)](#).

Department Response

The Department agrees that accuracy and completeness of prior state service verifications is very important. The Comptroller's auditor notified the Department's Human Resources Division (HR) staff in November 2017 that one document of prior service with one state agency on a current employee was missing. HR staff quickly responded, in November 2017, by requesting the service verification from the previous state agency, and verified that the state service in the employee's record in the Centralized Accounting and Payroll Personnel System (CAPPS) was correct. The documentation was filed in the employee's personnel file.

Effective Sept. 1, 2018, HR will conduct a sample review of new hire files every six months to ensure the accuracy of prior state service collection, documentation, and entry. HR will also integrate the Comptroller's new State of Texas Employment History system to research prior state service.

The department's HR Division consistently reviews prior state service during the onboarding process. After reviewing the application and form, HR requests prior state service verifications from previous employers. In addition, CAPPS automated Web Services verification captures and posts prior employment dates to the new employee's CAPPS prior state service record. The prior state service verifications are used as the source document to ensure the CAPPS data are correct and all manual entries are reverified by the operator after the service is entered into CAPPS.

Incorrect Longevity Payment

Finding

We identified one employee whose prior state service date was incorrect due to an erroneous entry into the Department's payroll system, resulting in an overall underpayment in longevity pay.

The Department's procedures include obtaining prior state service verifications whenever an employee indicates previous state employment. Although the Department did have the prior state service verification on file, due to an input error, the agency incorrectly entered the start date of a previous state service, resulting in the system using an incorrect state service effective date to calculate longevity pay. As a result of the audit, the Department reviewed and credited the employee for the underpaid amount in the current pay period.

When an agency hires an employee, the agency must research whether the employee has previous state employment. If prior state employment exists, the agency must confirm the amount of lifetime service credit and properly record it, or run the risk of underpaying longevity pay. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

We provided the Department with the schedule and calculations of the underpayments during fieldwork. The schedule and calculations are not included with this report due to confidentiality issues.

Recommendation/Requirement

The Department should continue to review each employee's job application, résumé and the Department's internal form for prior state service for all current and new employees and ensure that the verification is recorded properly.

Department Response

The Department agrees that accuracy and completeness of prior state service verifications to correctly establish longevity pay are very important. The Comptroller's auditor notified the Department's Human Resources Division (HR) staff in November 2017, that one longevity date was incorrect. The HR staff quickly corrected the error and the individual was compensated for the \$20.00 error in longevity in December 2017.

The Department's HR Division consistently reviews prior state service utilizing the State of Texas Application for Employment and a Prior State Service form, completed and signed by the employee, during the on-boarding process. After reviewing the application and form, HR requests prior state service verifications from previous employers. In addition, CAPPS automated Web Services verification captures and posts prior employment dates to the new employee's CAPPS prior state service record. The prior state service verifications are used as the source document to ensure the CAPPS data are correct and all manual entries are reverified by the operator after the service is entered into CAPPS.

DETAILED FINDINGS — PAYROLL

Effective Sept. 1, 2018, HR will conduct a sample review of new hire files every six months following the procedure described above to ensure the accuracy of prior state service collection, documentation, and entry. HR will also integrate the Comptroller's new State of Texas Employment History system to research prior state service.

The department looks forward to the point where all state agencies are in CAPPs so that the Web Services verification functionality provided by the Comptroller's office will help streamline and possibly eliminate the need to conduct prior state service verifications in state government.

DETAILED FINDINGS — PURCHASE

Purchase Order Created After Invoice

Finding

We identified one out of 50 purchase transactions where a purchase order was created after the invoice was received. The Department's procedures require that purchase orders be created prior to obtaining goods and services, but this procedure was not followed in this instance. The Department stated that due to an unanticipated increase in workload, it created the need for an emergency procurement. Although the Department worked with an established and current vendor, they did not comply with agency procurement policy. However, the agency's internal review process identified this issue after the purchase order was created.

When a purchase order is created after receipt of the invoice, it becomes difficult for the Department to ensure it was not overcharged or billed for goods or services beyond those the Department agreed to purchase. [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#) states that it is the general responsibility of a state agency and its officers and employees to ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.

Recommendation/Requirement

The Department must ensure that documentation of the agreement is created at the time the goods or services are ordered from the vendor. Once the Department has made a final approved agreement with the vendor, the Department may not pay any amount in excess of the agreed upon amount unless the vendor provides additional consideration to the Department.

Department Response

The agency identified the non-compliant acquisition before services were completed and self-reported through its established internal process. The services for printing/inserting/ mailing of letters to motor vehicle dealers were outside the scope of an active Department contract. Any non-compliant purchases are documented via a standardized "Non-Compliant" memorandum prepared by the division director of the impacted division. This memorandum includes a description of the actions leading to the non-compliant purchase and outlines a corrective action plan to mitigate further instances of such purchases. The memorandum is sent from the division director through the director of purchasing to the executive director for review. The FAS Purchasing section will institute a process beginning in September 2018 to monitor progress on corrective action plans and provide additional training to Department staff to reduce instances of non-compliant purchases.

FAS Purchasing staff, will schedule quarterly training for Department staff beginning August 2018 to address non-compliant and other purchasing related processes and procedures.

Incorrect Procurement Process

We identified four contracts in our purchase sample totaling \$445,767.84 where the Department did not use the correct procurement process as required by the [State of Texas Procurement and Contract Management Guide](#). Two contracts did not follow the correct procurement process and the other two contracts were missing documentation to evidence that the correct procurement process was followed. Issues identified and associated with these four contracts include:

- The Department did not obtain the required number of bids or provide a bid tabulation for two contracts.
- One contract was missing the required Historically Underutilized Business (HUB) Subcontracting Plan.
- Two contracts were missing proof that the Centralized Master Bidders List (CMBL) vendors were solicited.
- Two contracts did not meet the solicitation advertisement requirements for posting on the Electronic State Business Daily (ESBD).
- Two contracts were missing the System for Award Management (SAM) verification.
- One contract was missing the required Department of Information Resources (DIR) exemption.

Finding – Bid and Evaluation Criteria Not Followed

We identified two contracts where the Department did not have documentation to prove that it followed procurement procedures by obtaining bids from multiple vendors and was missing bid tabulations. The Department stated an unanticipated increase in workload created the need for an emergency procurement. The Department misplaced or lost paperwork.

The Department must use the open market informal solicitation method for all contracted services between \$5,000 and \$25,000. See [State of Texas Procurement and Contract Management Guide](#). Not obtaining bids from multiple vendors increases the risk of the Department paying more for services than necessary and might also result in a more qualified vendor not being used.

It is the responsibility of an agency to ensure the maintenance of necessary documentation for proving that each transaction resulting from the document is legal, proper and fiscally responsible. It is the responsibility of the state agency and its officers and employees to ensure the agency maintains the necessary documentation. See [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#).

Supporting documentation for a purchase must be made available to the Comptroller's office in the required manner. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#) and the [State of Texas Procurement and Contract Management Guide](#).

Contracts must be retained for seven years after the expiration or termination of the instrument according to its terms. See [Texas Government Code, Section 441.1855](#) and [State of Texas Procurement and Contract Management Guide](#) – Records Retention.

Recommendation/Requirement

The Department must obtain bids from qualified vendors for all services exceeding \$5,000. It must ensure that all bids are tabulated and the documentation related to the procurement process is retained.

Department Response

The Department has established processes in accordance with the State of Texas Procurement Manual and Contract Management Guide governing how procurements are conducted. Two out of 50 contracts sampled did not follow the appropriate procurement method. This includes acquisitions of printing/inserting/mailing services and toner cartridges.

The first contract was procured correctly; however, the Department utilized the active contract for printing/inserting/mailing of letters to motor vehicle dealers outside the contract scope. The Department identified the non-compliant acquisition before services were completed and self-reported through an established internal process. The process requires division directors to develop a corrective action plan to mitigate further instances of such purchases, which is approved by the executive director. The FAS Purchasing section will institute a process beginning in September 2018 to monitor progress on corrective action plans and provide additional training to TxDMV staff to reduce instances of non-compliant purchases.

The second contract related to this finding was for the acquisition of printer toner cartridges. The Department received inaccurate guidance provided by TIBH for the purchase of toner cartridges. TIBH indicated that the Department could directly procure from their subcontractor, Beacon Lighthouse under the State Set Aside Program. The State Set Aside Program does not require competitive bidding; consequently, the procurement was non-compliant with state procedures.

The Department holds periodic informal training and provides external training to FAS procurement staff to ensure that they are current on these procedures. Formalized internal FAS procurement staff training on documentation requirements will be implemented in August 2018. The Department will develop and document a process to independently validate that all applicable purchasing authority and/or exemptions are received and documented in the procurement file.

Finding – Missing Historically Underutilized Business Subcontracting Plan

We identified one contract where the Department did not provide the required Historically Underutilized Business (HUB) subcontracting plan. The Department indicated the documentation was either misplaced or lost.

Agencies considering entering into a contract with an expected value greater than \$100,000 are required, before soliciting bids, proposals, offers or any other applicable expression of interest, to determine whether subcontracting opportunities are probable under the contract. See [State of Texas Procurement and Contract Management Guide](#). The HUB subcontracting plan is part of the contract and must be submitted with the bid or proposal by the vendors competing for the particular purchase opportunity. See [Texas Government Code, Sections 2161.252-2161.253](#), and [34 Texas Administrative Code Sections 20.285](#)

Contracts must be retained for seven years after the expiration or termination of the instrument according to its terms. See [Texas Government Code, Section 441.1855](#) and [State of Texas Procurement and Contract Management Guide](#) – Records Retention.

Recommendation/Requirement

The Department must abide by the procurement procedures stipulated in the [State of Texas Procurement and Contract Management Guide](#) to determine whether subcontracting opportunities are probable under the contract and, if so, that probability must be clearly stated and require a HUB subcontracting plan. The Department must enhance its procurement process to ensure adequate documentation is maintained to meet all procurement requirements.

Department Response

This finding is related to the acquisition of printer toner cartridges, which did not contain a HUB subcontracting plan. The Department received inaccurate guidance provided by TIBH for the purchase of toner cartridges. TIBH indicated that the Department could directly procure from their subcontractor, Beacon Lighthouse under the State Set Aside Program. The State Set Aside Program does not require competitive bidding; consequently, a HUB subcontracting plan was not mandated.

The Department will develop and document a process to independently validate that all applicable purchasing authority and/or exemptions are received and documented in the procurement file.

Finding – Missing Centralized Master Bidders List Search

We identified two contracts where the Department could not provide proof that eligible suppliers on the Centralized Master Bidders List (CMBL) were actually solicited. The Department indicated the documentation was either misplaced or lost.

The CMBL is a database of registered vendors who have provided contact information, as well as a list of the goods and services they offer. Vendors pay a nominal annual fee to receive notification of opportunities for solicited commodities and/or services through an Invitation for Bid, Request for Proposal, Request for Offer or Request for Qualifications. Unless exempted by law, the CMBL must be used for all procurements subject to statewide procurement authority. The CMBL must also be used to gather information for noncompetitive procurement processes. Agencies must print out the awarded vendor's CMBL profile showing the expiration date for file documentation. See [State of Texas Procurement and Contract Management Guide](#). Proof that the CMBL system was checked prior to any award or contract renewal being made by state of Texas government entities must be maintained. See [Texas Government Code, Sections 2155.263 and 2155.264](#), and [34 Texas Administrative Code Section 20.107\(g\)](#).

Contracts must be retained for seven years after the expiration or termination of the instrument according to its terms. See [Texas Government Code, Section 441.1855](#) and [State of Texas Procurement and Contract Management Guide](#) – Records Retention.

Recommendation/Requirement

To ensure adherence to the rules and laws that govern state procurement practices, all agencies and institutions of higher education must use the CMBL for all purchases, including services for which competitive bidding or competitive sealed proposals are required. The Department must maintain evidence that the CMBL vendors were contacted and include it in the contract file, as well as the bid tabulation that supports the contracted vendor selection.

Department Response

Two out of 50 contracts sampled did not contain the CMBL. This includes acquisitions of printing/inserting/mailing services and toner cartridges. The Department reviewed all current procurement files to ensure that required documentation was present in April 2018.

The first contract was procured correctly; however, the Department utilized the active contract for printing/inserting/mailing of letters to motor vehicle dealers outside the contract scope. The Department identified the non-compliant acquisition before services were completed and self-reported through an established internal process. The process requires Division Directors to develop a corrective action plan to mitigate further instances of such purchases, which is approved by the executive director. The FAS Purchasing section will institute a process beginning in September 2018 to monitor progress on corrective action plans and provide additional training to Department staff to reduce instances of non-compliant purchases.

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The second contract related to this finding was for the acquisition of printer toner cartridges, which did not contain a CMBL. The Department received inaccurate guidance provided by TIBH for the purchase of toner cartridges. TIBH indicated that the Department could directly procure from their subcontractor, Beacon Lighthouse under the State Set Aside Program. The State Set Aside Program does not require competitive bidding; consequently a CMBL was not mandated.

The Department holds periodic informal training and provides external training to FAS procurement staff to ensure that they are current on these procedures. The Department will develop and document a process to independently validate that all applicable purchasing authority and/or exemptions are received and documented in the procurement file.

Finding – Missing Electronic State Business Daily Posting

We identified two contracts where the procurement file did not contain proof or verification of the posting on the Electronic State Business Daily (ESBD) for contracts over \$25,000. The Department stated an unanticipated increase in workload created the need for an emergency procurement. The Department misplaced or lost paperwork.

In accordance with [Texas Government Code, Section 2155.083](#) and [34 Texas Administrative Code Section 20.214](#), the requirement to advertise solicitations by posting on the ESBD applies to all purchases exceeding \$25,000 regardless of source of funds used for procurement. State agencies are required to advertise a complete solicitation package (including all parts, exhibits and attachments) for a minimum of 14 days, or 21 days for procurement when the entire solicitation package cannot be posted if it is very lengthy or complex. This requirement includes delegated purchases, emergency, construction projects, professional or consulting services, proprietary purchases or purchases exempt from Statewide Procurement purchasing authority. See [State of Texas Procurement and Contract Management Guide](#).

Contracts must be retained for seven years after the expiration or termination of the instrument according to its terms. See [Texas Government Code, Section 441.1855](#) and [State of Texas Procurement and Contract Management Guide – Records Retention](#).

Recommendation/Requirement

The Department must strengthen its controls to ensure that any contract over \$25,000 is posted for the proper duration. Failure to post a qualifying purchase for the mandatory duration of time could void the entire contract.

Department Response

Two out of 50 contracts sampled were not posted on the Electronic State Business Daily. This includes acquisitions of printing/inserting/mailing services and toner cartridges.

The first contract was procured correctly; however, the Department utilized the active contract for printing/inserting/mailing of letters to motor vehicle dealers outside the contract scope. The Department identified the non-compliant acquisition before services were completed and self-reported through an established internal process. The process requires division directors to develop a corrective action plan to mitigate further instances of such purchases, which is approved by the executive director. The FAS Purchasing section will institute a process beginning in September 2018 to monitor progress on corrective action plans and provide additional training to Department staff to reduce instances of non-compliant purchases.

The second contract related to this finding was for the acquisition of printer toner cartridges. The Department received inaccurate guidance provided by TIBH for the purchase of toner cartridges. TIBH indicated that the Department could directly procure from their

DETAILED FINDINGS — PURCHASE

subcontractor, Beacon Lighthouse under the State Set Aside Program. The State Set Aside Program does not require competitive bidding; consequently posting to the Electronic State Business Daily was not mandated.

The Department holds periodic informal training and provides external training to FAS procurement staff to ensure that they are current on these procedures. The Department will develop and document a process to independently validate that all applicable purchasing authority and/or exemptions are received and documented in the procurement file.

Finding – Missing System for Award Management Search

We identified two contracts where the Department did not provide required System for Award Management (SAM) printouts dated prior to its respective contract awards. The Department indicated documentation was either misplaced or lost.

Agencies must not award contracts to vendors who have been barred from contracting by the federal government. SAM is the electronic database of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs that identified those vendors excluded throughout the U.S. government (unless otherwise noted) from receiving federal contracts or certain subcontracts and from certain types of federal financial and non-financial assistance and benefits. The SAM system must be checked seven days prior to any award or contract renewal being made by state of Texas government entities. See [State of Texas Procurement and Contract Management Guide](#).

Contracts must be retained for seven years after the expiration or termination of the instrument according to its terms. See [Texas Government Code, Section 441.1855](#) and [State of Texas Procurement and Contract Management Guide](#) – Records Retention.

Recommendation/Requirement

We recommend that the Department conduct a SAM search after bid tabulations. Because SAM may update these databases more than once in a 24-hour period, a final check of the Special Designated Nationals (SDN) listing must be made prior to any contract award to ensure the Department does not award contracts to any person or vendor whose name appears on the SDN list. A copy of the SAM search results from the specified website must be used as evidence of the vendor search being performed by the agency and must be included in the contract file.

Department Response

Two out of 50 contracts sampled did not contain the required SAM form. The contracts were appropriately procured, but the necessary SAM documentation was not contained in the contract file. The Department reviewed all current procurement files to ensure that required documentation was present in April 2018.

The Department has established processes in accordance with the State of Texas Procurement Manual and Contract Management Guide governing how procurements are conducted and required documentation. To protect the integrity of the original procurement file, the Department will research options to digitize paper procurement files. In the interim, all active procurement files will include a checklist of required procurement documentation. This checklist will be peer reviewed and signed by procurement staff. In addition, a more rigorous procedure involving peer review of the checklist of required documentation prior to checking in and out of procurement files will be conducted by FAS procurement staff.

The Department holds periodic informal training and provides external training to FAS procurement staff to ensure that they are current on these procedures. Formalized internal FAS procurement staff training on documentation requirements will be implemented in August 2018. Research on the options to digitize paper files will be completed in August 2019.

Finding – Missing Department of Information Resources Exemption

We identified one contract for a unique IT product not available through a DIR term contract for which the Department did not obtain an exemption from DIR. See [State of Texas Procurement and Contract Management Guide](#). The Department indicated documentation was either misplaced or lost.

[Texas Government Code, Chapter 2157](#) requires state agencies to purchase hardware and/or software goods, as well as technical services through DIR cooperative contracts. Both [Texas Government Code, Section 2157.068](#), and [1 Texas Administrative Code Section 204.12](#), state that if a product or service is not available via an existing purchasing program developed by DIR, a state agency can opt to use a different vendor as a secondary source. The agency must obtain a one-time exemption request from DIR which will contain a maximum expense value that must be met. See [State of Texas Procurement and Contract Management Guide](#).

Contracts must be retained for seven years after the expiration or termination of the instrument according to its terms. See [Texas Government Code, Section 441.1855](#) and [State of Texas Procurement and Contract Management Guide – Records Retention](#).

Recommendation/Requirement

The Department must follow the procedures outlined in the [State of Texas Procurement and Contract Management Guide](#). The Department must obtain an authorized exemption from DIR and make it part of its pertinent procurement documentation file every time it buys IT goods or services from a source other than DIR cooperative contracts.

Department Response

This finding is related to the acquisition of toner cartridges. The Department received inaccurate guidance provided by TIBH for the purchase of toner cartridges. TIBH indicated that the Department could directly procure from their subcontractor, Beacon Lighthouse under the State Set Aside Program. The State Set Aside Program does not require a DIR exemption, consequently the Department did not request a DIR exemption.

The Department will develop and document a process to independently validate that all applicable purchasing authority and/or exemptions are received and documented in the procurement file. The Department has established processes in accordance with the State of Texas Procurement Manual and Contract Management Guide.

The Department holds periodic informal training and provides external training to FAS procurement staff to ensure that they are current on these procedures. Formalized internal FAS procurement staff training on documentation requirements will be implemented in August 2018.