



An Audit of the Texas Education Agency

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Table of Contents

Executive Summary

Purpose and Scope	1
Background	1
Audit Results	1
Key Recommendations	3

Detailed Findings

Payroll Transactions	4
Purchase Transactions	4
Missing CPA Delegation of Purchase Authorization	4
Term Contract Not Used	6
Travel Transactions	7
Incorrect Travel Reimbursement	7
Lack of Conservation of State Funds	8
Board Member Travel Transactions	9
Grant Transactions	9
Refund of Revenue Transactions	9
Security	9
Failure to Notify Comptroller to Remove Employee from Signature Card and Failure to Request Security Access Removal	9
Internal Control Structure	10
Fixed Assets	11

Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team	12
Appendix 2 — Definition of Ratings	14



Executive Summary

Purpose and Scope

Objectives of the Texas Education Agency (Agency) audit were to determine whether:

- Payments were processed according to applicable state laws, Comptroller requirements, and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Capital and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit is conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period beginning June 1, 2016, through May 31, 2017.

Background

The Texas Education Agency is the state agency that oversees primary and secondary public education. It is headed by the commissioner of education. The mission of TEA is to provide leadership, guidance and resources to help schools meet the educational needs of all students.

Texas Education Agency website

https://tea.texas.gov/About_TEA/

Audit Results

The Agency generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with grants, revenue transactions or payroll. However, the Agency should consider making improvements to its travel, purchase and security processes.

The auditors noted no recurring issues from the prior post-payment audit issued in August 2013. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase Transactions</u>	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing Comptroller's delegation of purchase for five contracts. • There was one instance of a term contract not used. 	Compliant, Findings Issued
<u>Travel Transactions</u>	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • There were two instances of meals not payable. • There were eight instances of lack of conservation of state funds. 	Compliant, Findings Issued
Grant Transactions	Did grant payments comply with the state laws and regulations pertaining to grants/loans and other pertinent statutes?	No issues	Fully Compliant
Refund of Revenue	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Security</u>	Did all system access over payment comply with all the Comptroller security guidelines?	<ul style="list-style-type: none"> • The Agency did not revoke security access for one employee. 	Compliant, Findings Issued
Internal Control Structure	Is overlapping security access segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant



Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The Agency must obtain proper delegation of purchasing authority for the service contracts that are in excess of its delegated authority. Unless the Agency receives such delegation in writing from the Statewide Procurement Division (SPD), it should not proceed with a solicitation because such a contract will be rendered voidable.
- Auditors recommend the Agency review the existing term contracts to determine if an item exists on the term contracts before procuring items. The term contracts can be viewed online at [TxSmartBuy – Contracts](#).
- Auditors recommend the Agency should caution its employees and approval staff to verify all travel reimbursement amounts. The Agency should obtain reimbursement from the employee unless it determines it is not cost effective to do so.
- The Agency must exercise caution in its use of state funds and ensure its expenditures are fiscally responsible. The Agency should update its policies and procedures in order to implement a cost analysis policy to ensure it uses the most cost efficient method of travel, and the implementation of this cost analysis should be made subject to prior approval by management.
- The Agency must ensure compliance with terminated employee security revocation requirements.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample of 60 employees (178 payroll transactions, totaling \$1,837,070.44) to ensure that the Agency complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in payroll transactions.

Purchase Transactions

Auditors developed a representative sample of 65 purchase transactions (totaling \$38,533,485.96), including other professional services and textbook transactions. Auditors also developed a representative sample of 25 payment card transactions totaling \$2,766.88. These transaction were audited to ensure that the Agency complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

The Agency paid \$919.89 in related prompt payment interest during the audit period. Audit tests revealed the following exceptions.

Missing CPA Delegation of Purchase Authorization

Auditors identified five contracts that were in excess of the Agency's delegated authority of \$100,000. The Agency could not provide the Comptroller's SPD Delegation of Purchase letter, which is required for any contracted service in excess of \$100,000. The Agency stated that for two contracts, it prepared justification memos describing its sole source decision, but failed to submit the justification to the Comptroller's office. The Agency stated that it failed to request delegation authority for the other three contracts.

For purchases of services estimated to cost more than \$100,000 per year, the Comptroller must review any proposed specifications or statements of work and determine whether the Comptroller or the state agency should make the advertisement and award. The Comptroller may determine that the service should be advertised to the entire Centralized Master Bidders List (CMBL) rather than to only those vendors in the

Delegation Request for Services Exceeding \$100,000

For the non-delegated purchase of services with an estimated contract value of more than \$100,000, the agency must submit its delegation request and its solicitation through the Procurement Oversight and Delegation portal. Once an agency has submitted a solicitation for review, the procurement is analyzed from a contract management and business perspective. If the delegation request is denied, SPD will procure the services on behalf of the agency. See [State of Texas Procurement and Contract Management Guide](#).



state agency's geographical area. If no competitive advantage would be obtained by having the Comptroller make the advertisement and award, the Comptroller may permit the state agency to do so as a delegated purchase. See the delegated purchases section of the [State of Texas Procurement and Contracting Management Guide](#) – SPD Review and Delegation Process. Agencies are also required to adhere to [Texas Government Code, Section 2155.074](#), to obtain the best value for every purchase while maintaining adequate documentation as proof of that objective.

Recommendation/Requirement

The Agency must obtain proper delegation of purchasing authority for the service contracts that are in excess of its delegated authority.

Agency Response

Starting November 2017, TEA leadership implemented changes in agency contracting and purchasing activities to address audit findings. In March 2018, TEA restructured the Contracts and Purchasing Division's (CPD) service delivery model to align it to the five-phase contract management framework in the State of Texas Procurement and Contract Management Guide (June 2018). The restructure was completed by August 2018. TEA redesigned its mandatory training around service delivery model changes, ethical considerations, statutory requirements, and best practices. The agency implemented the updated training in April of 2018. It includes added information for TEA staff on CPA review and delegation requirements by contract value and procurement type. CPD implemented an online tool to verify staff complete the required training. CPD posted added information for staff on contracts and purchasing requirements on the agency's internal SharePoint site.

TEA hired additional CPD staff who are required to complete the Certified Texas Contract Manager (CTCM) and/or the Certified Texas Contract Developer (CTCD) requirements within one year of employment. This will ensure CPD staff are knowledgeable about statutes and procedures that govern state procurement to include requirements to secure CPA Delegation of Purchase Authorizations. Hiring is ongoing.

The agency implemented a pre-signature compliance review process for all contractual agreements to ensure any contract presented for signature to the commissioner or deputy commissioner fulfills state procurement requirements. Instances of noncompliance must be resolved before a contract can be forwarded for signature. TEA updated its Contract Management Handbook and Operating Procedures (OPs) to communicate third-party review requirements by CPA, DIR or other agencies to all staff. These corrective actions were completed by Sept. 1, 2018.



Term Contract Not Used

Auditors noted one transaction where the Agency did not use a term contract to purchase goods and services. The Agency stated that it did not use the term contract because it needed the items in time to meet the deadline for finalizing State Board of Education meeting materials. However, this is not a valid exception for not using the term contract.

The [State of Texas Procurement and Contract Management Guide](#) – Term Contracts, states that agencies are not allowed to use delegated authority to purchase goods or services that are available through a statewide term contract unless the quantity required is less than the minimum order quantity specified in the relevant term contract. See [GAA, Article IX, Section 17.10\(a\)\(7\)](#).

Recommendation/Requirement

Auditors recommend the Agency review the existing term contracts to determine if an item exists on the term contracts before procuring items. The term contracts can be viewed online at <http://www.txsmartbuy.com>.

Agency Response

Contracts and Purchasing (CPD) staff conducted additional research to determine the conditions under which TEA staff purchased items available on a term contract from a different source using a purchase card. The items purchased in this selected transaction were for a State Board of Education (SBOE) meeting. The needed materials were not available from TEA's supply room and could not be purchased through a state term contract in time to receive the items and prepare the materials for the SBOE meeting.

CPD has implemented additional corrective actions to ensure that staff review existing term contracts to determine if an item is available under a term contract before purchasing from a different source. CPD has implemented a commodity purchase checklist (PO checklist) aligned to the post-payment and procurement review checklist found in Appendix 30 of the State of Texas Procurement and Contract Management Guide. If the items are available on a term contract, staff must supply appropriate justification for not purchasing the items through the available term contract. For example, if the quantity TEA wants to purchase is less than the minimum order, staff may have grounds to purchase the item from a different source. All POs will be reviewed using the PO checklist to ensure purchases are in compliance with the Texas Procurement and Contract Management Guide before they are dispatched (the final approval step for a PO in the TEA financial system). A purchase order presented for dispatch without the required documentation listed in Appendix 30: Post-Payment & Procurement Review Agency Document Checklist will not be dispatched and will be returned to purchasing staff for corrections.



In addition, TEA is currently reviewing and updating the agency's purchasing guide to ensure that its content adheres to Texas Government Code, Texas Administrative Code, and the State of Texas Purchasing and Contract Management Guide. This review was initiated in November 2018, and we anticipate the project will be completed by March 15, 2019. CPD will post updated information for staff on the agency's internal SharePoint site.

Travel Transactions

Auditors developed a representative sample of 70 travel transactions (totaling \$56,460.00) to ensure the Agency complied with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

An additional 10 travel card transactions from a special report outside of the sample were tested. Audit tests revealed the following exceptions in the travel transactions.

Incorrect Travel Reimbursement

Auditors identified two instances of an incorrect meal reimbursement. In the first instance, the traveler was reimbursed for a meal purchased while still in the traveler's designated headquarters, in the Austin Bergstrom International Airport. In the second instance, the traveler was reimbursed for meals on a day the traveler was not on travel status for the agency. The traveler was on assignment in El Paso, Texas and flew back to headquarters on Friday and then returned to El Paso on Sunday for the next week's work. The traveler was reimbursed for meals for the full two-week period even though there was a break in her travel status. The Agency did not detect the errors when processing the travel reimbursements.

According to the [Texas Government Code, Section 660.113\(c\)](#), a state agency may not reimburse a state employee for a meal expense incurred within the employee's designated headquarters unless it is mandatory and connected with training, a seminar or a conference. See [Textravel – Meals and Lodging – Meals – Prohibited reimbursements](#).

According to the [Texas Government Code, Sections 660.003\(e\)\(2\)](#) and [660.009](#), a state employee may not be reimbursed for a meal expense incurred while not conducting state business unless an exception applies. See [Textravel – Meals and Lodging – Meals – Prohibited reimbursements](#).

Recommendation/Requirement

Auditors recommend the Agency should caution its employees and approval staff to verify all amounts that are submitted manually. The Agency should obtain reimbursement from the employee unless it determines it is not cost effective to do so.



Agency Response

The accounting staff who audit travel vouchers have been instructed to pay closer attention and ensure employees are away from headquarters when meals and lodging are claimed. Reimbursement from one of the two individuals overpaid was received as soon as the auditor brought the error to our attention. The other had already left TEA at that time. Eligibility for claiming meals and lodging is stressed in TEA's travel training.

Lack of Conservation of State Funds

Auditors identified eight travel vouchers where the Agency reimbursed travelers for mileage while operating personal vehicles to conduct official business. However, based on the applicable car rental rates, related taxes, cost of gas and the standard mileage rates in effect at the time of travel, it would have been more cost beneficial to the state if the travelers had used rental vehicles instead of personal vehicles. The Agency's procedures do not require travelers to prepare a cost comparison of rental car versus personal vehicle prior to travel.

According to [Texas Government Code, Section 660.007\(a\)](#), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. Similarly, supporting documentation must be made available to the Comptroller's office in the manner required by the Comptroller. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

Recommendation/Requirement

The Agency must exercise caution in its use of state funds and ensure its expenditures are fiscally responsible. The Agency should update its policies and procedures in order to implement a cost analysis policy to ensure it uses the most cost efficient method of travel, and the implementation of this cost analysis should be made prior to approval by management.

Agency Response

TEA staff and boards were informed that future travel reimbursement claims involving either travel by personal vehicle or rental car must include a completed cost comparison spreadsheet to determine that the most economic travel alternative has been used. The amount of travel reimbursement will be limited to the lesser of the travel methods. This cost comparison requirement and conservation of costs in general will be stressed in future travel training.



Board Member Travel Transactions

Auditors developed a representative sample to ensure that the Agency complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

Grant Transactions

Auditors developed a representative sample of 10 grant transactions (totaling \$258,399.79) to ensure the Agency complied with the state laws and regulations pertaining to grants/loans and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Refund of Revenue Transactions

Auditors developed a representative sample of 10 refund-of-revenue transactions (totaling \$27,147,969) to ensure the Agency complied with the state laws and regulations pertaining to services and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Security

The audit included a security review to identify any of the Agency's employees with security in the Uniform Statewide Accounting System (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. Audit tests revealed one security exception.

Failure to Notify Comptroller to Remove Employee from Signature Card and Failure to Request Security Access Removal

During the audit period, the Agency failed to timely notify the Comptroller's office about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee's security in USAS and from the signature card was sent four and 26 days late, respectively. This could have permitted the employee to approve electronic and paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by an electronic or paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. The auditors researched the archived files and determined no unapproved documents were processed during the audit period.



When an employee's authority to approve an agency's expenditures is revoked in USAS for any reason, the employee's security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

For signature cards, whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

The Agency has procedures to notify the security coordinator of personnel actions. In these instances, the request to remove the employee's security was delayed due to the Agency's oversight.

Recommendation/Requirement

The Agency must ensure compliance with the security revocation requirements for terminated employees. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employee's termination on or before the dates the revocation becomes effective, and follows up with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

Agency Response

Accounting will develop specific off-boarding procedures for terminating accounting employees to ensure their USAS and TINS access and signature card removal requests are submitted timely. The procedure will include the completion and submission of access forms to the TEA Computer Access section instructing them to delete the employee's USAS and TINS access prior to the employee's termination date. If the employee has voucher approval authority, the policy will also address submitting a letter to the Comptroller's office removing the terminated employee from the voucher signature card prior to his or her termination date.

Internal Control Structure

The review of the Agency's internal control structure was limited to obtaining reports identifying current users' access. The review did not include tests of existing mitigating controls. As part of our planning process for the post-payment audit, auditors reviewed certain limitations that the Agency placed on its accounting staff's abilities to process expenditures. Auditors reviewed the Agency's security in USAS, Uniform Statewide



Payroll/Personnel System (USPS), Texas Identification Number System (TINS) and voucher signature cards that were in effect on Oct. 26, 2017. Auditors did not review or test any internal or compensating controls that the Agency may have relating to USAS, USPS or TINS security or internal transaction approvals. The audit tests revealed no exceptions in user access.

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 Agency's internal system. All assets tested were in their intended location, properly tagged and properly recorded in the State Property Accounting System.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the Uniform Statewide Accounting System (USAS) and either:
 - The Uniform Statewide Payroll/Personnel System (USPS),
 - The Standardized Payroll/Personnel Report System (SPRS) or
 - The Human Resource Information System (HRIS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the Texas Education Agency (Agency) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning March 1, 2016, through Feb. 28, 2017, to determine compliance with applicable state laws.

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.

The Agency receives appendices with the full report, including 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 Agency should implement the recommendations listed in the Detailed Findings of this report. It is the Agency'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 Agency's documents comply in the future. The Agency must ensure that the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what course of action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding

Definition	Icon
This issue was identified during the previous post-payment audit of the agency.	A circular icon with a double arrow forming a loop, indicating a repeat finding.