



# An Audit of the Texas Workforce Commission

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# Executive Summary

## Purpose and Scope

The objectives of the Texas Workforce Commission (Commission) audit were to determine whether:

- Contracts were procured according to applicable state laws and Comptroller requirements.
- 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 was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2016, through Nov. 30, 2017.

## Background

Texas Workforce Commission is charged with overseeing and providing workforce development services to employers and job seekers of Texas. The Commission's mission is to promote and support a workforce system that creates value and offers employers, individuals and communities the opportunity to achieve and sustain economic prosperity.

**Texas Workforce Commission  
website**

<https://twc.texas.gov/about-texas-workforce>

## Audit Results

The Commission generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll, travel, refund of revenue or property management transactions. However, the Commission should consider making improvements to its procurement, payment card and internal control structure 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
Travel Transactions	Did the travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Refund of Revenue Transactions	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Payment Card Transactions</u>	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Missing training verification documentation.</li> <li>• Twelve warrant payment hold statuses not verified: 11 payment card transactions and one procurement contract.</li> <li>• Incorrect invoice number field.</li> </ul>	Compliant, Findings Issued
<u>Contracting and Procurement Process</u>	Did the contracts and related payments comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Debarred vendor status not verified.</li> <li>• Failure to report to the Vendor Performance Tracking System (VPTS).</li> <li>• Missing quality control review documentation.</li> <li>• Missing State Auditor's Office (SAO) nepotism disclosure statement.</li> <li>• Missing non-disclosure agreements for evaluation committee members.</li> <li>• Evaluation criteria did not include weighted factors.</li> <li>• Missing individual scoring sheets for evaluation team members.</li> <li>• Incorrect procurement method used.</li> </ul>	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting system?	No issues	Fully Compliant





Area	Audit Question	Results	Rating
<u>Targeted Analysis</u>	Did the Commission comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally?	Incomplete Direct Deposit Authorization forms.	Compliant, Findings Issued
<u>Internal Control Structure</u>	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	One employee was identified with overlapping security access.	Control Weakness Issues Exist
Security	Are the Commission employees who are no longer employed, or whose security was revoked, properly communicated to the Comptroller's office?	No issues	Fully Compliant

## Key Recommendations

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

- The Commission must enhance its review process of payment card vouchers submitted into the Uniform Statewide Accounting System (USAS) to ensure expenditures comply with the GAA, pertinent statutes and Comptroller requirements.
- The Commission must ensure staff follows vendor hold procedures.
- The Commission must ensure payments for third-party transactions are processed in accordance with [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) and [USAS and CAPPS Financials Invoice Number Field Requirements \(FPP E.023\)](#), and that credit card payments are posted correctly.
- The Commission should revise its procurement procedures to ensure all requirements are met.
- The Commission must ensure that all payees who request direct deposit payments submit a completed, signed Direct Deposit Authorization form with the international payment verification question answered.
- The Commission must have or implement additional controls over expenditure processing that segregate each accounting task to the greatest extent possible.



# Detailed Findings

## Payroll Transactions

Auditors developed a representative sample from a group of 30 employees and 125 payroll transactions totaling \$604,352.37 to ensure the Commission complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions. Additionally, a limited sample of 31 voluntary contribution transactions was audited with no exceptions identified.

## Travel Transactions

Auditors developed a representative sample of 25 travel transactions to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#) and 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 \$16,246.39 to ensure the Commission complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Payment Card Transactions

Auditors developed a representative sample of 25 payment card transactions totaling \$34,454.16 to ensure the Commission complied with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed the following exceptions in the payment card transactions.

## Missing Training Verification Documentation

Auditors identified one transaction lacking the documentation necessary to verify that the Commission's employee attended training. The Commission stated that it was unable to verify attendance for one transaction, but staff has been trained to ensure receipts are obtained prior to payment when a payment card is used to purchase training and/or goods or services, or to request a receipt when advance payment is required.

Proper supporting documentation for a purchase must be maintained at least until the end of the second fiscal year after the fiscal year in which the document was processed in USAS. See [34 Texas Administrative Code Section 5.51\(e\)\(5\)\(A\)](#).



Supporting documentation must be made available to the Comptroller's office in the manner required by the Comptroller's office. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(4\)](#).

## Recommendation/Requirement

The Commission should enhance its policies and procedures to document verification of training attendance and make the documentation available during the audit to justify the validity of the payment.

## Commission Response

*The Texas Workforce Commission's payables staff has been trained to ensure receipts are obtained prior to payment when a Procard is used to purchase training and/or goods and services. If payment is required in advance of a training event or conference, a receipt verifying attendance will also be obtained once the training or conference has occurred. A query has been established to identify Procard purchases that do not have a receiving document due to advance payment. The query for following up on advance payments will be run monthly to ensure a receipt is received once the training or conference has been attended. The practice for obtaining receipts was implemented Sept. 1, 2018. The procedures are currently being updated to reflect the new process for dissemination to end users by May 31, 2018.*

## Warrant Payment Hold Status Not Verified

Auditors identified 11 payment card transactions totaling \$9,704.75 and one contract totaling \$398,500 where Commission employees failed to check the vendor for warrant and payment hold status prior to making the payment card purchase and prior to the date of contract execution. The Commission requires payment cardholders to check vendors' warrant/payment hold status prior to making purchases. The Commission stated that it was unable to locate the vendor hold status documents.

State agencies are required to verify a vendor's hold status for non-emergency payments over \$500 made with payment cards. [34 Texas Administrative Code Section 5.57\(g\)\(6\)](#) prohibits a state agency from using payment cards for a purchase from a vendor on a warrant hold.

State agencies are required to check the warrant hold status of a vendor if the transaction involves a written contract. See [State of Texas Procurement and Contract Management Guide](#) – Warrant/Payment Hold Check section.

[Texas Government Code, Section 2252.903\(a\)](#) states each state agency shall determine whether a payment law prohibits the Comptroller from issuing a warrant or initiating an electronic funds transfer to a person before the agency enters into a written contract with that person. The agency shall make this determination not earlier than the seventh day before and not later than the date of entering into the contract.



## Recommendation/Requirement

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The Commission must follow its policies and procedures and ensure that employees check for vendor warrant hold status before using a payment card for purchases of more than \$500. The Commission must follow procurement policy and procedures to ensure vendor warrant hold status is verified before any purchase, contract award, extension or renewal. A dated copy of the review results from the specified website must be retained as evidence and it must be included in the contract file.

## Commission Response

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*The Texas Workforce Commission's Payment Card Issuance and Security Policy and Procedure, which was last revised Nov. 1, 2018, recites the prohibitions of use contained in 34 Texas Administration Code 5.57(g) and the requirement that purchases made with the Payment Card comply with applicable state law. To ensure that persons using the payment card for purchases comply with required vendor compliance verifications, the Purchaser Order File Checklist will be updated to include "Procurement Card." Both the Payment Card Issuance and Security Policy and the Payment Card-Employee/ Cardholder Agreement form educate purchasers using a payment card about the state purchasing rules for payment card purchases. Additionally, TWC restricts the number of employees with access to procurement cards with instructions to use the card as a means of purchase only as a last resort and only in those instances a vendor will not accept a purchase order.*

## Incorrect Invoice Number Field

Auditors ran a report outside of the sample to identify potential payments processed incorrectly to third-party vendors for payment cards during the audit period. The review of this report identified 71 payments (consisting of 871 transactions) totaling \$37,149.37 in which incorrect information was entered into the invoice number field in USAS. Additionally, there were 101 payments (consisting of 2,843 transactions) totaling \$156,740.25 with the complete credit card number entered in the invoice number field.

The Commission failed to provide the correct information in the invoice number field as prescribed by [FPP A.043](#) and [FPP E.023](#). According to the Commission, this was due to an oversight and it has reviewed its policies and procedures to ensure they conform to [FPP A.043](#) and [FPP E.023](#).

Entering procurement and travel card transactions in USAS or Centralized Accounting and Payroll/Personnel System (CAPPS) Financials requires special consideration for the timely reconciliation of payments. Payments that do not include the correct information in the invoice number field might not post to the correct account(s) on time, leading to account delinquency and lost rebate dollars. Citibank's system posts payments received





from the state based on information in USAS and CAPPs Financials, and the automated interface expects the last 10 digits of the central billed account (CBA) number with no spaces or dashes. If Citibank's system retrieves an unexpected value due to an incorrect entry in the invoice number field, it will be unable to post the payment automatically, and Citibank must then manually research the rejected entry and post the payment to the correct account, possibly causing delays in posting. Additionally, entering the credit card number exposes the Commission to risks such as unauthorized individuals using the credit card numbers for purchases.

Also, [FPP A.043](#) and [FPP E.023](#) are consistent with the current Payment Card Industry (PCI) Data Security Standard (DSS). The DSS requirement to protect stored cardholder data (Requirement 3) dictates that the primary account number be rendered unreadable anywhere it is stored. This can be done by truncating a portion of the account number. The FPPs require truncating the first six digits of the CBA number. Therefore, the FPPs should be fully and consistently followed for every payment transaction.

## Recommendation/Requirement

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The Commission must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#) and [FPP E.023](#). To avoid misuse of the credit card information and any account delinquency or reconciliation issues, the Commission should review payment card statements to ensure the payments were posted correctly.

## Commission Response

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*The Texas Workforce Commission (TWC) updated its written policies and procedures to ensure they conform to FPP A.043 and FPP E.023, relating to the recording of purchase and travel card transactions. TWC staff responsible for processing third-party payments has been properly trained on the requirements to enter only the last 10 digits of the 16-digit central billing account number into the invoice number field instead of the specific account number. If additional information is needed, staff is aware to use a dash after the 10-digit CBA number before entering the additional information.*

*During the first quarter of FY2019, there were two exceptions that were identified as using the incorrect billing account number in the invoice number field, i.e., data keying errors. As a result, TWC implemented in December 2018 a daily query to identify errors for correcting prior to posting and interfacing with USAS. TWC is monitoring this process by running the exception report monthly instead of quarterly as first implemented. TWC has verified that there have been no other instances of noncompliance since December 2018. For the long term, TWC is examining system edits within the TWC PeopleSoft system.*



## Contracting and Procurement Process

Auditors selected two contracts totaling \$2,025,483.54 for review of the Commission's vocational rehabilitation and information technology services. Auditors selected three additional purchase orders totaling \$67,158 to review the Commission's renovation/construction projects. All phases of contract development, planning, solicitation, award and payments were reviewed for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes.

The [State of Texas Procurement and Contract Management Guide](#) provides a framework for navigating the complexities of Texas procurement law and offers practical, step-by-step guidance to ensure agencies acquire goods and services in an effective and efficient manner.

In reviewing contracts, auditors found that the Commission generally followed the [State of Texas Procurement and Management Guide](#) and the Commission's internal procurement manual policies and procedures; however, the Commission had issues in some key areas of the procurement process. The audit tests for the selected contracts and purchase orders revealed the following exceptions:

- Debarred vendor status not verified.
- Failure to report to the Vendor Performance Tracking System (VPTS).
- Missing quality control review documentation.
- Missing State Auditor's Office (SAO) Nepotism Disclosure Statement forms.
- Missing non-disclosure agreements.
- Evaluation criteria did not include weighted factors.
- Missing individual scoring matrix for evaluation team members.
- Incorrect procurement method used.

### Debarred Vendor Status Not Verified

Auditors identified one contract where the Commission failed to verify whether the vendor had been debarred by the Statewide Procurement Division (SPD). According to the Commission, the contract file did not contain documentation of staff checking the Debarred Vendor List posted on the Comptroller's office website.

The Commission must check the Debarred Vendor List posted on the Comptroller's website to establish that a vendor has not been debarred by SPD. An agency may not award a contract to a debarred vendor. See [State of Texas Procurement and Contract Management Guide](#) – Vendor Compliance Verifications section.

[Texas Government Code, Section 2155.077\(a\)](#) states that the Comptroller may bar a vendor from participating in state contracts that are subject to this subtitle, including contracts for which purchasing authority is delegated to a state agency.



## Recommendation/Requirement

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The Commission must ensure the debarred vendor status is verified before any purchase, contract award, extension or renewal. A dated copy of the review results from the specified website must be retained as evidence and it must be included in the contract file.

## Commission Response

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*The Texas Workforce Commission (TWC) Purchasing and Contract Services has a Vendor Compliance Verification Checklist as a means of ensuring all required verifications are complete and TWC is not entering into a purchase, contract award, extension or renewal with a vendor who has been debarred or who has not met other procurement requirements. In addition, the Purchase Order File Checklist will be updated to include all required vendor checks, including debarred vendor status, to ensure purchase order files contain the supporting documentation.*

## Failure to Report to the Vendor Performance Tracking System

Auditors identified two contracts where the Commission did not report vendor performance to the SPD's Vendor Performance Tracking System (VPTS). According to the Commission, the contract file did not contain the report due to an oversight in the procurement process. During the audit, the Commission reported the vendor performance to VPTS for this contract and added a copy of the report to the contract file.

The SPD administers the VPTS for use by all agencies per [34 Texas Administrative Code Section 20.115\(b\)](#). The VPTS relies on agencies' participation to gather information on vendor performance. All agencies must report vendor performance on purchases over \$25,000 from contracts administered by the SPD, or purchases over \$25,000 made through delegated authority granted by SPD. Ordering entities are also encouraged to report vendor performance for purchases under \$25,000. The requirement also calls for the provision of supporting documentation. Agencies submit the Vendor Performance Report (VPR) electronically on the VPTS. See [State of Texas Procurement and Contract Management Guide](#) – Monitoring Methods – Vendor Performance Reports section.

## Recommendation/Requirement

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The Commission must report contracts and purchases to VPTS in order to:

- Identify vendors demonstrating exceptional performance.
- Aid purchasers in making a best value determination based on vendor past performance.
- Protect the state from vendors with unethical business practices.





- Identify vendors with repeated delivery and performance issues.
- Provide performance scores in four measurable categories for Centralized Master Bidders List (CMBL) vendors.
- Track vendor performance for delegated and exempt purchases.

See [State of Texas Procurement and Contract Management Guide](#) – Contract Close-Out section.

## Commission Response

*The Texas Workforce Commission Procurement and Contract Services (PCS) adopted a written procedure effective Jan. 3, 2019, regarding vendor performance tracking. Using reports generated from its PeopleSoft Financial system, Purchasing staff can identify procurements that meet the requirements for vendor performance reporting. A copy of the Vendor Performance Report form is completed by the PCS purchaser or the contract manager. The form is used to file the VPTS report on the Comptroller's website, and then retained in the purchase order or contract file.*

## Missing Quality Control Review Documentation

Auditors identified two contracts where the Commission failed to provide documentation that a quality control review was performed on the bid tabulation and/or master evaluation score sheet. The Commission indicated that it reviews and checks the bid tabulation score sheets, but written documentation of the review by the evaluation committee and contract developer is not maintained in the contract file. The Commission will incorporate a process to check the bid tabulation score sheets and will update its policies and procedures.

Once vendor responses for a solicitation have been evaluated by the committee, each committee member should review the master score sheet to verify the accuracy of the scoring. It is important to ensure that the raw data is accurately transcribed into the mathematical formulas, and that the mathematical formulas are properly loaded into electronic spreadsheets/workbooks when such electronic aids are used. The contract developer will prepare, sign and date the master scoring matrix, and recommend one of the following: award the contract to the highest-ranked respondent(s) without discussion, tentatively award the contract to the highest-ranked respondent subject to successful completion of negotiations or cancel the solicitation. See [State of Texas Procurement and Contract Management Guide](#) – Evaluation Committee Recommendation.

Texas law mandates that the contract awards may only be made to responsive vendors providing the best value to the state. The best value standard may vary depending on the procurement method; therefore, public procurement personnel must ensure that the appropriate best value standard is used as the basis for the contract award. See [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination section.



## Recommendation/Requirement

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The Commission must follow procurement procedures and update its policies to require that a quality control review is performed by the evaluation committee members and contract developer. The Commission should maintain the quality control review documentation as part of the contract file.

## Commission Response

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*The Texas Workforce Commission Purchasing and Contract Services created a Procurement File Checklist in December 2018, which includes a quality control review. The checklist is used by purchasing staff to ensure all required documentation of the procurement process is included in the procurement file.*

## Missing State Auditor's Office (SAO) Nepotism Disclosure Statement Forms

Auditors identified one contract where the Commission failed to complete and sign the SAO Nepotism Disclosure Statement form for each employee involved in procurement for contracts valued at \$1 million or more. According to the Commission, the contract file did not contain the SAO nepotism disclosure statement form for all purchasing personnel due to an oversight in the procurement process. Without the SAO Nepotism Disclosure Statement form in place, the procurement might not be in full compliance.

[Texas Government Code, Section 2262.004](#) requires state agency purchasers to disclose relationships that might pose a conflict of interest in awarding a major contract. See [State of Texas Procurement and Contract Management Guide](#) – Agency Review of Required Disclosures section.

## Recommendation/Requirement

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The Commission must follow procurement procedures to ensure the SAO Nepotism Disclosure Statement form is complete and signed by the purchasing staff prior to executing a contract with the vendor. The Commission should maintain the SAO Nepotism Disclosure Statement form as part of the contract file.

## Commission Response

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*The Texas Workforce Commission Procurement and Contract Services created a Procurement File Checklist in December 2018. The checklist is used to assist purchasing staff in ensuring that all required documentation of the procurement process is included in the procurement file, including the requirement for the SAO Nepotism Disclosure Statement Form from each purchasing personnel for major contracts value of at least \$1 million.*



## Missing Non-Disclosure Agreements

Auditors identified one contract where the Commission failed to complete and sign non-disclosure agreements for four out of seven evaluation committee members. According to the Commission, the contract file did not contain non-disclosure agreements due to an oversight in the procurement process.

In order to safeguard the integrity of the evaluation process, individuals serving on an evaluation committee or as technical advisors must sign a non-disclosure agreement prior to receiving the responses or participating in evaluation committee activities. The agency must also conduct a due diligence inquiry as to the evaluation committee members' and technical advisors' actual and potential conflicts of interest related to the submitted responses. See [State of Texas Procurement and Contract Management Guide](#) – Non-Disclosure Agreements and Conflict of Interest Disclosures section.

[Texas Government Code, Section 2261.252\(a-1\)](#) requires state employee or official to disclose any potential conflict of interest specified by state law or agency policy that is known by the employee or official at any time during: (1) the procurement process, from the initial request for bids for the purchase of goods or services; or (2) the term of a contract with a private vendor.

## Recommendation/Requirement

The Commission must follow procurement procedures to ensure the evaluation committee members or technical advisors complete and sign non-disclosure agreements prior to engaging in evaluation committee activities. The Commission should maintain the non-disclosure agreements as part of the contract file.

## Commission Response

*The Texas Workforce Commission Procurement and Contract Services created a Procurement File Checklist in December 2018. The checklist is used to assist purchasing staff in ensuring that all required documentation of the procurement process is included in the procurement file, including the non-disclosure agreements executed by each evaluation committee member or technical advisor prior to participation in the evaluation.*

## Evaluation Criteria Did Not Include Weighted Factors

Auditors identified one contract where the Commission's evaluation criteria in the solicitation documentation did not include the relative weight assigned to each criterion. The Commission stated that its policies and procedures were updated to include relative weighted factors as part of the evaluation criteria in summer 2015. If the evaluation criteria and associated weights are not thoughtfully designed and included as part of the solicitation documentation, then the procurement might fail because the basis of the award will not correctly identify the best value to the state.





The evaluation criteria must reflect the essential qualities or performance requirements necessary to achieve the contract's objective. The weight assigned to each evaluation criterion must correlate to its importance. The Commission must ensure not only that the evaluation criteria and the associated weights are clearly stated, but also that the information submitted in the response directly relates to the criteria. See [State of Texas Procurement and Contract Management Guide](#) – Evaluation Criteria for Award section.

## Recommendation/Requirement

The Commission must follow procurement procedures to ensure solicitation documentation includes weighted factors as part of the evaluation criteria.

## Commission Response

*The Texas Workforce Commission Purchasing and Contract Services staff is updating the Procurement File Checklist to ensure that if a solicitation includes weighted evaluation factors, the evaluation sheets also include the weighted factors. For low value, low risk or noncomplex solicitations, weighted factors may not be needed. The RFP template is under revision to include enhanced instructions for the development of evaluation criteria and whether weighted factors should be considered.*

## Missing Individual Scoring Matrices for Evaluation Team Members

Auditors identified one contract where the Commission's contract file did not contain individual scoring matrix sheets for seven evaluation committee team members. According to the Commission, the contract file did not contain the individual scoring matrix sheets, but did contain a score sheet prepared by the contract developer that consolidated the individual scores into a single scoring matrix in order to tally a total score. Auditors were unable to verify the total score due to the missing individual scoring matrices.

During the evaluation, the contract developer should provide an evaluation package to each evaluation committee member. The package should include:

- A copy of non-disclosure and conflict of interest disclosure agreements.
- The evaluation committee briefing document.
- The entire solicitation.
- Any addenda.
- Question-and-answer documents.
- A list of responses received and an individual evaluation committee member scoring matrix.

The scoring matrix is a standardized form used by all of the evaluation committee members to record the scores for each response based on the evaluation criteria and weights published in the solicitation and, if applicable, unpublished subcriteria. See [State of Texas Procurement and Contract Management Guide](#) – Scoring Matrix section.



See [State of Texas Procurement and Contract Management Guide](#) – Evaluation – Evaluation Committee Process section.

The evaluators record their individual scores for each response on the individual scoring matrix. Each committee member should independently and impartially score each response using only the evaluation factors and weights identified in the solicitation. The contract developer tallies the individual members' evaluation scores and provides the committee with a consolidated score sheet displaying the total score for the committee to verify the accuracy of the scoring.

## Recommendation/Requirement

The Commission must follow procurement procedures to ensure the individual scoring matrices are submitted to the contract developer during the evaluation process and added to the contract file.

## Commission Response

*The Texas Workforce Commission Procurement and Contract Services created a Procurement File Checklist in December 2018. The checklist is used to assist purchasing staff in ensuring that all required documentation of the procurement process is included in the procurement file, including the requirement for the individual scoring matrix from each evaluation team member.*

## Incorrect Procurement Method Used

The Commission did not use the appropriate procurement method for three renovation/construction projects. In reviewing the purchase order documentation, auditors found the Commission requested informal bids for each project separately on the same day. The Commission should have combined all three projects into a single open-market formal solicitation using the invitation for bid (IFB) procurement method. The Commission stated that its facilities staff did not view the purchases as one construction project because the individual projects were on different floors, in different buildings, and involved different types of renovations. Auditors requested blueprints for these projects, but the Commission could not locate them. However, prior to the start of the audit, when the procurement staff recognized the renovations could be treated as one project, staff created a solicitation and awarded one contract for future projects.

[Texas Government Code, Section 2155.132\(g\)](#) states, "a large purchase may not be divided into small lot purchases to meet the dollar limits prescribed by this section."

Agencies must use open-market formal solicitation for any agency-administered open-market purchase of services greater than \$25,000. Two noteworthy steps of the procurement procedure are:



1. Collect the detailed specification or statement of work for the required goods or service.
2. Create a written IFB solicitation, using the specification or the statement of work. An IFB is a formal, written, competitive sealed-bid method used to obtain written bids for goods and services that are standardized or uniform. The award process is simpler, and is used to determine the best value and whether the goods or services meet the required specifications. See [State of Texas Procurement and Contract Management Guide](#) – Competitive Bidding (IFBs, Informal Bidding) section.

Additional procurement steps are listed in the [State of Texas Procurement and Contract Management Guide](#), in the Solicitation Process section.

## Recommendation/Requirement

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The Commission should revise its procurement procedures to ensure adherence to procurement rules.

## Commission Response

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*The Texas Workforce Commission Purchasing and Contract Services has aligned its processes and forms with the State of Texas Procurement and Contract Management Guide so that one of two documents is used by agency staff to initiate a procurement, a purchase requisition or a needs assessment/cost assessment. Further guidance and desk aids have been provided to agency staff to better identify their purchasing needs. The Needs Assessment/Cost Estimate form captures key information to serve as the basis for a solicitation. Purchasing staff has been instructed to carefully review these requests and seek clarification, as needed, in order to ensure that the project has been properly scoped to include all appropriately associated component purchases.*

## Fixed Assets

Auditors developed a representative sample of seven transactions to test for accurate reporting and verify the existence of assets. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) system. Audit tests revealed no exceptions for this group of transactions.

## Targeted Analysis

Auditors reviewed the Commission's procedure to comply with the federal mandate to properly identify and handle payments involving the international movement of funds. Audit tests revealed the following.





## Incomplete Direct Deposit Authorization Form

Of the 10 vendors selected and reviewed, three of the Direct Deposit Authorization forms on file were incomplete. Without a proper form on file, the Commission was unable to indicate whether state funds would be forwarded to a financial institution outside the United States.

Due to federal requirements mandated by the Office of Foreign Assets Control, the National Automated Clearing House Association has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid potential federal penalties, each state agency must:

- Be able to show due diligence in the processing of all direct deposit payments.
- Do its best to ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside of the United States.

According to the Commission, the incomplete Direct Deposit Authorization forms were an oversight due to a lack of understanding of the federal requirements.

## Recommendation/Requirement

The Commission must ensure that all payees requesting direct deposit payments submit a completed, signed Direct Deposit Authorization form with the international payment verification question answered. A Direct Deposit Authorization form should not be processed if the proper form is not submitted, if the International Payment Verification section is left blank or if the form is unsigned.

## Commission Response

*The Texas Workforce Commission's internal protocol for establishing direct deposit for vendors includes steps to ensure that the International Payments Verification box is checked either yes or no and that the form is signed. Additional training was provided to the staff members who process the forms to ensure the agency's procedures are followed and the supporting documentation is complete. In an effort to monitor and verify compliance with the established protocol, a random sample was selected following the training, and the forms were reviewed to ensure the Payment Verification box was checked and the form was signed. These actions will continue on a periodic basis to monitor the completion of applicable fields on the forms.*



## Internal Control Structure

### Control Weakness over Expenditure Processing

The review of the Commission's segregation of duties was limited to obtaining reports identifying current users' access. The audit tests revealed the following exceptions in user access.

Auditors reviewed certain limitations the Commission placed on its accounting staff's ability to process expenditures. Auditors examined the Commission's security in USAS, Standardized Payroll/Personnel Reporting System (SPRS), Texas Identification Number System (TINS) and voucher signature cards that were in effect on April 19, 2018. Auditors did not review or test any internal or compensating controls that the Commission may have relating to USAS, SPRS, TINS security or internal transaction approvals.

The Commission had one employee with multiple security access capabilities within USAS, SPRS and TINS. The employee could:

- Enter/edit payment vouchers in USAS and edit/update vendor profiles and direct deposit information in TINS.
- Edit/update a vendor profile in TINS and, since the employee was listed on the voucher signature card, approve paper vouchers (expedites).
- Edit direct deposit information for employees in TINS and release payroll in SPRS.

Auditors ran a report to determine whether any of the Commission's payment documents processed through USAS during the audit period due to the action of only one person. There were no documents that were either entered and approved, or altered and approved, by the same person without another person's electronic oversight.

### Recommendation/Requirement

To reduce risks to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend the Commission implement the following:

- Limit the access of users who can enter/change vouchers in USAS to view-only access in TINS (PTINS02). An individual must not be able to create a vendor or change a vendor profile and create a payment.
- Limit the access of users who can approve paper vouchers (by being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change a vendor/employee profile or direct deposit information and approve a payment.



- Limit the access of users who can release payroll in SPRS to view-only access in TINS (PTINS02). An individual must not be able to change employee payment instructions and release payroll.

## Commission Response

*The Texas Workforce Commission immediately took action to make the USAS security changes for the one employee by removing the capability to edit and update vendor profile and direct deposit information, ensuring appropriate segregation of duties. CPA verified the change in June 2018. Continued security role reviews of all employees with USAS and SPRS access are being completed semi-annually. Since the post-payment audit, Finance has completed security role reviews of all employees with USAS and SPRS access in October 2018 and April 2019. In addition, Finance has added an additional approval of all USAS and SPRS access and change requests and has established appropriate levels of security for specific classification and job responsibilities.*

## Security

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





# 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 any of the following:
  - Uniform Statewide Accounting System (USAS),
  - The Uniform Statewide Payroll/Personnel System (USPS),
  - The Standardized Payroll/Personnel Report System (SPRS),
  - The Human Resource Information System (HRIS) or
  - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- 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 Texas Workforce Commission (Commission) payroll, refund of revenue, payment card, contract and travel transactions that processed through USAS during the period from Dec. 1, 2016, through Nov. 30, 2017, to determine compliance with applicable state laws.

The Commission 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.

***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 audit provides a reasonable basis for the findings set forth in this report. The Commission should implement the recommendations listed in the Detailed Findings of this report. It is the Commission'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 Commission's documents comply in the future. The Commission 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 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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*Anna Calzada, CTCD*

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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 Icon Definition



This issue was identified during the previous post-payment audit of the agency.