



An Audit of the **Office of the Secretary of State**

Audit Report # 307-18-01
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Executive Summary

Purpose and Scope

The objectives of the Office of the Secretary of State (Office) 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 March 1, 2017, through Feb. 29, 2018.

Background

The Secretary of State is one of six state officials named by the Texas Constitution to form the executive department of the state. The Secretary serves as chief election officer for Texas, assisting county election officials and ensuring the uniform application and interpretation of election laws throughout Texas. The Office of the Secretary of State also provides a repository for official, business and commercial records required to be filed with the Office. The Secretary publishes government rules and regulations and commissions notaries public.

Office of the Secretary of State
website

<https://www.sos.state.tx.us/>

Audit Results

The Office generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll, purchase or grants. However, the Office should consider making improvements to its travel and contracts processes. 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 all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Purchase/ Procurement Transactions	Did purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grant Transactions	Did grant transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Travel Transactions</u>	Did travel transactions comply with all pertinent statutes and Comptroller requirements?	Lack of conservation of state funds	Compliant, Findings Issued
<u>Contract Transactions</u>	Did contract transactions comply with all pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing procurement and contract documentation • Prompt payment and payment scheduling errors 	Compliant, Findings Issued
Security	Did all system access over payment comply with all the Comptroller security guidelines?	No issues	Fully Compliant
Internal Control Structure	Are incompatible duties 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
<u>Targeted Analysis</u>	Did the Office comply with the federal mandate to properly identify and handle payments involving moving funds internationally?	Incomplete Direct Deposit Authorization form (IAT question)	Compliant, Findings Issued



Key Recommendations

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

- The Office must exercise caution in its use of state funds and ensure that its expenditures are fiscally responsible.
- The Office must ensure that it keeps all documents relating to procurement and contracts on file.
- The Office must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest liabilities. In addition, the Office must verify that proper due dates are entered to ensure that if interest is due, it is paid correctly to the vendors.
- To minimize the loss of earned interest to the state's treasury, the Office must schedule all payments greater than \$5,000 for the latest possible distribution and in accordance with purchasing agreements as described in Prompt Payment and Payment Scheduling in [eXpendit \(FPP I.005\)](#).
- The Office must ensure that all payees requesting payment by direct deposit submit a completed direct deposit form, with the international automated clearing house transaction (IAT) question answered.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample from a group of 50 employees and 186 payroll transactions totaling \$309,952.78 to ensure that the Office complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. The review also included a report that identifies employees who are potentially dually employed and subject to Fair Labor Standards Act (FLSA) provisions. Additionally, a limited sample of 10 voluntary contribution transactions was audited with no exceptions identified. Audit tests revealed no exceptions for this group of transactions.

34 Texas Administrative Code Section 5.40(c)(2)

Quality control measures. Each state agency must ensure that its internal operating procedures include quality control measures that will detect any underpayment of compensation to a state employee.

Purchase Transactions

Auditors developed a representative sample of 15 purchase transactions totaling \$1,659,494.33 to ensure that the Office complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. An additional 10 procurement card transactions totaling \$11,427.40 from a special report outside of the sample were tested. Audit tests revealed an insignificant instance of noncompliance, which was reported to the Office in a separate management report. Audit tests revealed no exceptions for these two groups of transactions.

Grant Transactions

Auditors developed a representative sample of 10 grant transactions totaling \$916,607.44 to ensure the Office 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.

Travel Transactions

Auditors developed a representative sample of 20 travel transactions totaling \$8,113.58 to ensure the Office complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. An additional 10 travel card transactions totaling \$10,616.43 from a special report outside of the sample were tested. For the travel card transactions, audit tests revealed an insignificant instance of noncompliance, which was reported to the Office in a separate management report. Audit tests revealed the following exceptions in the travel transactions sample.



Lack of Conservation of State Funds

The audit identified one instance where the Office did not conserve state funds. The Office reimbursed an employee for rental of a premium SUV for two employees traveling to Houston at \$99 a day (rather than \$56 a day for a regular SUV), costing the agency \$198. In addition, there was no exception noted on the travel voucher to justify the additional expense.

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. The agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances."

Recommendation/Requirement

The Office must exercise caution in its use of state funds and ensure that its expenditures are fiscally responsible.

Office Response

Agency has updated policy to ensure that each travel arrangement is most cost effective. If an exception exists it is documented on respective travel voucher.

Contract Transactions

Auditors selected two contracts totaling \$18,785,571.82 for review relating to the Office's voter education campaign and information technology services. Auditors then developed a representative sample of 16 contract payments from both contracts totaling \$5,736,662.24 to ensure that the Office 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 contract transactions.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$14,548,285.54	Information Technology Services	<ul style="list-style-type: none">• Missing contract development documentation• Missing Electronic State Business Daily posting• Missing evaluation committee requirements		<ul style="list-style-type: none">• Missing nondisclosure forms• Missing SAO nepotism disclosure statement• Pre-award VPTS report not evaluated	<ul style="list-style-type: none">• Missing System for Award Management search• Missing warrant/payment hold check	<ul style="list-style-type: none">• Missing contract management documentation• Failure to report to the LBB• Prompt payment and payment scheduling errors
Contract B	\$4,237,286.28	Advertising Services			<ul style="list-style-type: none">• Missing nondisclosure forms• Missing SAO nepotism disclosure statement		<ul style="list-style-type: none">• Missing contract management documentation• Failure to report to the LBB

Missing Procurement and Contract Documentation

Auditors identified two contracts where the Office did not provide the required procurement documentation. According to the Office, it was unable to locate the documents.

Missing Contract Development and Contract Management Documentation

One contract lacked sufficient planning documentation, such as a contract developer's contract administration plan (or acquisition plan), needs assessment, cost estimate, internal approval for solicitation and contract award. Both contracts lacked a contract manager's quality assessment plan (QAP) and a master contract file checklist.

The acquisition plan, along with the other planning documents listed above, ensures that the procurement is solicited, negotiated, executed and managed in a way that delivers best value to the state. It also ensures that the contract requirements are satisfied, the goods and services are delivered in a timely manner, and the financial interests of the agency are protected. A well-drafted acquisition plan will assist the contract manager in managing the contract throughout its term.

The QAP assists the contract manager in assessing risk and monitoring deliverables following contract execution. QAP tools include contract monitoring schedules and findings reports. Additionally, the contract manager must maintain a master contract file of records produced throughout the life of the contract. The contract manager or



designated agency employee is also responsible for retaining contract documents for the amount of time determined by law and the agency's records retention schedule. See [State of Texas Procurement and Contract Management Guide](#), Contract Management Section.

Recommendation/Requirement

To ensure successful procurements, appropriate transition from contract development to contract management and monitoring, and best practices in contracting, the Office should develop and maintain procurement planning and contract management documentation, such as the acquisition plan and QAP.

Office Response

The Office has reviewed the identified weaknesses and made adjustments to ensure successful procurements. Office will develop and maintain procurement planning and contract management documentation which will include the Acquisition Plan and QAP. Procedures will be updated to ensure compliance with this requirement.

Missing Electronic State Business Daily Posting

The Office did not meet the solicitation advertisement requirements for one contract. The procurement file did not contain proof of posting on the Electronic State Business Daily (ESBD) for a contract over \$25,000. The Office stated that it could not locate the documentation.

The Statewide Procurement Division (SPD) requires each agency to post notices on the ESBD for all solicitations expected to exceed \$25,000. State agencies must advertise a complete solicitation package for a minimum of 14 days, or 21 days if the solicitation package is too lengthy or complex to post in its entirety. See [State of Texas Procurement and Contract Management Guide](#), Solicitation – Advertisement Section.

In accordance with [Texas Government Code, Section 2155.083](#) and [34 Texas Administrative Code Section 20.233](#), the requirement to advertise solicitations by posting on the ESBD applies to all purchases over \$25,000, regardless of source of funds used for procurement. This requirement includes delegated purchases, emergencies, construction projects, professional or consulting services, proprietary purchases or purchases exempt from SPD's purchasing authority.

Recommendation/Requirement

The Office must strengthen its controls to ensure that any contract over \$25,000 is posted for the proper duration and posting documentation is maintained in the contract file. Failure to post a qualifying purchase for the mandatory time could void the



contract. See [Texas Government Code, Section 2155.083](#). Additionally, future payments under voided contracts are prohibited, and failure to comply could subject the agency to a reduction in appropriation per [Texas Government Code, Section 403.071\(h\)\(5\)](#).

Office Response

The Office has reviewed the identified weaknesses and made adjustments to ensure successful procurements. Office has posted required notices that exceed \$25,000 to ESBD. Procedures are updated to ensure compliance with this requirement.

Missing Evaluation Committee Requirements

Auditors identified one contract with no individual scoring matrix sheets from evaluation committee members in the contract file, and no documentation of the evaluation committee meeting to determine the vendor. According to the Office, it was unable to locate the information for this contract. 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 includes:

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

Each evaluation committee member should independently and impartially score each response using only the evaluation factors and weights identified in the solicitation. The contract developer will tally the individual committee member's evaluation scores and provide the committee with a consolidated score sheet displaying the total score so the evaluation team can verify the accuracy of the scoring.

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

Recommendation/Requirement

The Office must follow procurement procedures to ensure individual scoring matrices are submitted to the contract developer during the evaluation process, and retained in the contract file.



Office Response

The Office will review, revise and compile policies and procedures to strengthen its controls to ensure that the individual scoring matrices are submitted to the contract developer during the evaluation process. Also to ensure that the matrices are part of the contract file.

Missing Nondisclosure Forms

Auditors identified two contracts where the Office failed to maintain a complete nondisclosure agreement for all evaluation committee members. According to the Office, it was unable to locate the nondisclosure agreements for these contracts.

In order to safeguard the integrity of the evaluation process, individuals serving on an evaluation committee or as technical advisors must sign a nondisclosure agreement before receiving the responses or participating in evaluation committee activities. The agency must also conduct a due-diligence inquiry into the evaluation committee members' and technical advisor's 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.

Recommendation/Requirement

The Office must follow procurement procedures to ensure the evaluation committee members or technical advisors complete and sign nondisclosure agreements before engaging in evaluation committee activities. The Office should maintain the nondisclosure agreement as part of the contract file. See [Texas Government Code, Section 2261.252](#).

Office Response

The Office will review, revise and compile policies and procedures to ensure the evaluation committee members or technical advisors complete and sign non-disclosure agreements prior to engaging in evaluation committee activities.

Also policies and procedures will ensure that the non-disclosure agreements are part of the contract file.

Missing State Auditor Office Nepotism Disclosure

Auditors identified two contracts where the required State Auditor Office (SAO) Disclosure Statement for Purchasing Personnel was missing. The Office stated that it could not locate the completed forms. For contracts valued at \$1 million or more, all purchasing personnel working on the contract must disclose any relationship with the selected vendor (or any employee, stockholder, contractor, etc.) to the administrative head of the agency on a form prescribed by the SAO. See [State of Texas Procurement and Contract Management Guide](#) - SAO Nepotism Statement for Purchasing Personnel.



Recommendation/Requirement

The Office must ensure that all procurement personnel involved in awarding contracts of at least \$1 million sign the SAO Disclosure Statement for Purchasing Personnel located on the [SAO website](#), and must retain the signed statements in the contract file.

Office Response

The Office has reviewed the identified weaknesses and made adjustments to be corrected. Specifically the Office will ensure that all procurement personnel involved in awarding contracts equal to and over \$1 million sign the SAO Disclosure Statement for Purchasing Personnel. Signed statements will be maintained in the contract file.

Missing System for Award Management Search

Auditors identified one contract missing the required System for Award Management (SAM) printouts dated before the contract award. According to the Office, it was unable to locate the SAM printout. The Office also stated that it will ensure printouts are retained in the procurement file in the future.

The contract developer (purchaser) must check the SAM database to be sure the vendor is not excluded from grant or contract participation at the federal level. The Office must conduct a SAM search before any purchase, award or contract renewal, since these databases may update more than once in a 24-hour period. A copy of the SAM results must be retained as evidence of the search and must be included in the contract file. A contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of Specially Designated Nationals & Blocked Persons (with limited exceptions set forth in the Order). See [Presidential Executive Order 13224](#).

Recommendation/Requirement

The Office must conduct the SAM search before any purchase, contract award, extension or renewal. Results must be retained as evidence and included in the procurement file.

Office Response

The Office has reviewed the identified weaknesses and made appropriate adjustments to conduct the SAM search prior to any purchase, contract award, extension or renewal. Proper documentation of the results will be retained in procurement file as supporting evidence of search.



Missing Warrant/Payment Hold Check

Auditors identified one contract where the Office's employees failed to check the vendor for warrant/payment hold status before contract execution. The Office stated that it was unable to locate the vendor hold status documents.

The contract developer (purchaser) must check warrant hold status of the vendor when: (1) transaction involves a written contract, (2) payment is made with local funds or (3) payment card purchase is over \$500. For transactions involving a written contract, the warrant hold check must be performed no earlier than the seventh day before and no later than the date of the contract execution. Though payments made through the Uniform Statewide Accounting System (USAS) are automatically checked for holds and the system identifies payments issued to persons with outstanding state debt, agencies must still conduct the warrant hold status check in accordance with [Texas Government Code, Section 2252.903](#). See [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

Recommendation/Requirement

The Office must check each vendor's warrant/payment hold status before any purchase, contract award, extension or renewal. Results of the check must be retained as evidence and included in the procurement file.

Office Response

The Office will review and update its policies on vendor warrant/payment hold status to ensure that the verification of hold status is performed prior to any purchase, contract award, extension or renewal. Proper documentation of the results will be retained in procurement file as supporting evidence of search.

Failure to Report to the Vendor Performance Tracking System/ Missing Pre-Award Review

Auditors identified two contracts where the Office did not report vendor performance to SPD's Vendor Performance Tracking System (VPTS). According to the Office, the contract file did not contain the report due to an oversight in the procurement process. Also, auditors identified one contract where the Office did not check vendor performance on VPTS before executing the contract. According to the Office, it was unable to locate the VPTS check documents.

The SPD administers a VPTS for all agencies per [34 Texas Administrative Code Section 20.115\(b\)](#). VPTS relies on participation by agencies to gather information on vendor performance. Agencies report vendor performance on purchases over \$25,000 from contracts administered by the SPD or any other purchase over \$25,000 made through delegated authority granted by SPD and must retain supporting documentation.



Agencies are also encouraged to report vendor performance for purchases under \$25,000. Agencies submit the Vendor Performance Report (VPR) electronically, via VPTS. See [Texas Government Code, Section 2155.089](#). Additionally, agencies must use VPTS to determine whether to award a contract to a vendor reviewed in the tracking system. See [State of Texas Procurement and Contract Management Guide – Vendor Performance Tracking System Check and Vendor Performance Reporting](#).

Recommendation/Requirement

The Office must check the SPD's VPTS before awarding a contract to determine whether to award a contract to a vendor, and must report ongoing and completed contracts and purchases to VPTS to identify vendors demonstrating exceptional performance.

Office Response

The Office has reviewed the identified weaknesses and made appropriate adjustments to check the SPD's VPTS prior to contract award to determine whether to award a contract. Also will report ongoing and completed contracts and purchases to VPTS to identify vendors who exhibit exceptional performance.

Proper documentation of the results will be retained in procurement file as supporting documentation.

Prompt Payment and Payment Scheduling Errors

Late Payment

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a government entity's payment is overdue on the 31st day after the later of:

- The date the government entity receives the goods under the contract,
- The date the performance of the service under the contract is completed, or
- The date the government entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#) and [eXpendit – Prompt Payment](#). During the audit period, the Office paid vendors \$64.69 in interest.

In the sample, auditors identified three contract transactions paid late without interest and one contract transaction where interest was underpaid because the Office entered incorrect due dates in USAS. According to the Office, it is unable to determine the cause of the errors as the warrant registers are not easily accessible.



Early Payment

[Texas Government Code, Section 2155.382\(d\)](#) authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office prescribes the circumstances under which advance scheduling is allowed or required, and requires advance scheduling when it is advantageous to the state.

Auditors identified one contract transaction that the Office paid early, resulting in interest loss to the state's treasury. The Office stated this occurred due to two invoices with different dates being paid using a single voucher. A requested payment date was placed on the voucher, which was intended for only one of the payments, but when it processed, both invoices were paid on the same date, resulting in early payment.

Recommendation/Requirement

The Office must review its procedures to ensure that it submits payment information for processing as well as releasing payments in a timely manner to avoid incurring interest. In addition, the Office must enter accurate due dates so that, if interest is due, it is paid correctly to vendors. See [eXpendit](#). Also, to minimize the loss of earned interest to the state's treasury, the Office must schedule all payments greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#).

Office Response

The Office has reviewed their procedures to ensure that it submits payment information for processing and release of payment in a timely manner. Proper due dates are verified and entered to ensure that if interest is due, it is paid correctly to vendors.

Security

The audit included a security review to identify any 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. Audit tests revealed no security exceptions.

Internal Control Structure

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the Office placed on its accounting staff's ability to process expenditures. Auditors reviewed the Office's security in USAS, Texas Identification Number System (TINS) and voucher signature cards in effect on July 25, 2018. Auditors



did not review or test any internal or compensating controls that the Office may have relating to USAS, TINS security or internal transaction approvals. Audit tests revealed no exceptions.

Fixed Assets

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

Targeted Analysis

A review was conducted of the Office'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 exception in the targeted analysis reports.

Incomplete Direct Deposit Authorization Form

Auditors reviewed the Office's compliance with the federal mandate to properly identify and handle payments involving international fund transfers.

The [Office of Foreign Assets Control \(OFAC\)](#) requires that all direct deposit payments transmitted outside the United States be identified and monitored. To avoid potential federal penalties, each state agency must:

- Show due diligence in the processing of all direct deposit payments.
- When possible, ensure direct deposit payments it issues to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside of the United States.

Of the 10 vendors/employees selected and reviewed, one direct deposit form on file was not properly completed. Without a properly completed form on file, the Office was unable to indicate whether state funds were forwarded to a financial institution outside the United States.

International automated clearing house transactions (IATs) are payments destined for a financial institution outside of the United States. The Comptroller's office does not participate in IATs. If a payee informs an agency that a payment is destined for a financial institution outside the United States, the agency may not set up that payee for direct deposit.

According to the Office, failing to review the direct deposit form was an oversight. During fieldwork, auditors requested and verified that the Office contact the vendor to obtain properly completed forms.



Recommendation/Requirement

The Office must ensure that all payees requesting payment by direct deposit submit a complete direct deposit form with the IAT question answered. A direct deposit authorization form should not be processed if the IAT section is left blank or the form is unsigned.

Office Response

The Office has reviewed the identified weaknesses and made adjustments to be corrected. Office will ensure that payees requesting payment by direct deposit submit a complete direct deposit form with applicable IAT question answered.



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),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Report System (SPRS) or
 - 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 Office of the Secretary of State (Office) payroll, travel and contract transactions that processed through USAS and USPS from March 1, 2017, through Feb. 29, 2018, to determine compliance with applicable state laws.

The Office 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.

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 Office should implement the recommendations listed in the Detailed Findings of this report. It is the Office'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 Office's documents comply in the future. The Office 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 on 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

Amanda Price, CFE, CTCD, Lead Auditor

Derik Montique, CFE, CGFM

Jesse Ayala



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
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

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.