



# An Audit of the Texas State Library and Archives Commission

Audit Report # 306-18-01  
October 11, 2019

**Glenn Hegar**  
Texas Comptroller of Public Accounts





# Table of Contents

## Executive Summary

Purpose and Scope .....	1
Background .....	1
Audit Results .....	1
Key Recommendations .....	3
Management Reponse .....	3

## Detailed Findings

Payroll Transactions .....	4
Purchase/Procurement and Contract Transactions .....	4
Missing State Auditor's Office (SAO) Nepotism Disclosure Statement Forms .....	5
Noncompliant with Solicitation Deadline .....	5
Administrative Review of Respondent Solicitation Not Conducted .....	6
Missing Historically Underutilized Business (HUB) Subcontracting Plan Review .....	6
Pre-Award Vendor Performance Tracking System (VPTS) Report Not Evaluated .....	7
System for Award Management Not Verified in a Timely Manner .....	8
Travel Transactions .....	8
Fixed Assets .....	8
Security .....	9
Internal Control Structure .....	9
Control Weakness over Expenditure Processing .....	9

## Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team .....	11
Appendix 2 — Definition of Ratings .....	13



# Executive Summary

## Purpose and Scope

The objectives of the Texas State Library and Archives 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

The mission of the Texas State Library and Archives Commission is to ensure that citizens have access to the information they need to lead informed, productive and fulfilled lives. The Commission accomplishes its mission through four main areas:

**Texas State Library and Archives  
Commission website**

<https://www.tsl.texas.gov/>

- Preserving the archival record of Texas (Archives and Information Services).
- Enhancing the service capacity of Texas public, academic and school libraries (Library Development and Networking).
- Assisting public agencies in the maintenance of their records (State and Local Records Management).
- Meeting the reading needs of Texans with disabilities (Talking Book Program).

## Audit Results

The Commission generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with travel, payroll, system security or property management records. However, the Commission should improve contracting processes and its controls over expenditure processing.

Auditors reissued one finding from the last audit conducted at the Commission related to control weakness over expenditure processing. Auditors originally issued this finding in August 2014. 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, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase/Procurement and Contract Transactions</u>	Did contracts and related payments comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Missing State Auditor's Office (SAO) Nepotism Disclosure Statement forms.</li> <li>• Noncompliant with solicitation deadline.</li> <li>• Administrative review of respondent solicitation not conducted.</li> <li>• Missing historically underutilized business (HUB) subcontracting plan review.</li> <li>• Pre-award Vendor Performance Tracking System (VPTS) report not evaluated.</li> <li>• System for Award Management (SAM) not verified in a timely manner.</li> </ul>	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	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
Security	Did all system access to process payments comply with all the Comptroller security guidelines?	No issues	Fully Compliant



Repeat Finding





Area	Audit Question	Results	Rating
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Three employees with overlapping security access for multiple duties.	<b>Control Weakness Issues Exist</b>



Repeat Finding

## Key Recommendations

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

- The Commission should enhance its procurement procedures to ensure the correct procurement requirements are followed.
- The Commission must implement additional controls over expenditure processing that segregate each accounting task to the greatest extent possible.

## Management Reponse

The Commission was granted multiple opportunities to respond to the findings, but no responses were provided. The Comptroller's office still requires a corrective action plan from the Commission and will contact the Commission again to confirm that corrective actions were taken.



# Detailed Findings

## Payroll Transactions

Auditors developed a representative sample of the Commission's 15 employees and 56 transactions totaling \$149,620.28 to ensure the Commission complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions. Additionally, a limited sample of 12 voluntary contribution transactions was audited with no exceptions identified.

## Purchase/Procurement and Contract Transactions

Auditors selected three contracts totaling \$1,595,415 for review of the Commission's museum exhibit redesign and information technology services. All phases of contract development, planning, solicitation, award and payments were reviewed for compliance with the GAA, [eXpendit \(FPP I.005\)](#), [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed exceptions for this group of transactions.

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$1,045,500	Information Technology Services	No exceptions	Noncompliant with solicitation deadline.	<ul style="list-style-type: none"><li>Missing SAO Nepotism Disclosure Statement forms.</li><li>Administrative review of respondent solicitation not conducted.</li><li>Missing HUB subcontracting plan review.</li><li>Pre-award VPTS report not evaluated.</li></ul>	No exceptions	No exceptions
Contract B	\$500,000	Museum and Exhibit Redesign	No exceptions	No exceptions	No exceptions	SAM not verified.	No exceptions
Contract C	\$49,915	Information Technology Services	No exceptions	No exceptions	No exceptions	No exceptions	No exceptions



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

Auditors identified one contract for \$1,045,500 where the Commission failed to complete and sign the SAO Nepotism Disclosure Statement form for each employee involved in the procurement of contracts valued at \$1 million or more. Without the SAO Nepotism Disclosure Statement form in place, the procurement is noncompliant.

[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.

### Recommendation/Requirement

---

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

## Noncompliant with Solicitation Deadline

Auditors identified one contract for \$1,045,500 where the Commission accepted a solicitation after the established deadline. Responses must be received on or before the due date and time designated in the solicitation. See [State of Texas Procurement and Contract Management Guide](#), Solicitation – Receipt and Control of Responses. The Commission stated that it was unable to determine the cause for this as the employee that coordinated this procurement no longer works for the Commission.

Although the respondent was not awarded the contract, the Commission should notify the respondent that the solicitation was rejected because it was not received in a timely manner. The Commission should have returned the sealed response to the respondent at the respondent's expense or disposed of the response according to the arrangement specified in the solicitation.

The only exception to the prohibition against accepting a late response is if an agency's written internal policy permits the acceptance of a late response due to extenuating circumstances. See [State of Texas Procurement and Contract Management Guide](#), Late Responses.

### Recommendation/Requirement

---

The Commission must enhance its procurement policies and procedures to ensure that late solicitation responses are returned to the respondent unopened or undisposed of according to the arrangement specified in the solicitation.



## Administrative Review of Respondent Solicitation Not Conducted

Auditors identified one contract for \$1,045,500 where the Commission failed to document whether it conducted an administrative review of the solicitation responses after they were opened and recorded. According to the Commission, it has not been able to locate the original vendor solicitation documents containing the reviewer initials, which would demonstrate that the administrative review was conducted. However, the Commission's policies and procedures state that no offers are released for evaluation until the Commission has verified and documented all items were included in the solicitation responses.

The administrative review is conducted on a "pass/fail" basis. Consultation with legal counsel may be necessary to determine whether a response is responsive to the solicitation requirements. See [\*State of Texas Procurement and Contract Management Guide\*](#), Administrative Review of Responses.

The administrative review includes an examination of each response to verify that the minimum vendor qualifications are satisfied and all required forms and documents are included in the solicitation response such as:

- Signed execution of bid/offer/proposal or similar document.
- Price sheet.
- Bid bond.
- Signed historically underutilized business (HUB) subcontracting plan.
- Signed non-disclosure agreement.

## Recommendation/Requirement

The Commission must enhance its procurement policies and procedures to ensure an administrative review is conducted on solicitation responses received. The Commission should use a checklist to document the results of the administrative review. A sample of an Administrative Review Checklist is provided in the [\*State of Texas Procurement and Contract Management Guide\*](#), Appendix 17.

## Missing Historically Underutilized Business (HUB) Subcontracting Plan Review

Auditors identified one contract for \$1,045,500 where the Commission did not provide the required historically underutilized business (HUB) subcontracting plan review. The Commission indicated that the vendor submitted a HUB subcontracting plan (HSP) with the solicitation proposal. According to the Commission, the contract manager, who was also the HUB coordinator, reviewed the HUB subcontracting plan before the contract was signed, but the Commission could not locate the supporting documentation.





Agencies considering entering into a contract with an expected value greater than \$100,000 are required, before soliciting bids, proposals, offers or any other applicable expression of interest, to determine whether subcontracting opportunities are probable under the contract. See [State of Texas Procurement and Contract Management Guide](#) – HUB Subcontracting Plan Requirements. If such opportunities are available, the agency's solicitation documents must convey that probability and require an HUB subcontracting plan.

[34 Texas Administrative Code Section 20.285\(e\)](#) requires the HUB subcontracting plan to be reviewed and evaluated before contract award. If accepted, the plan becomes a provision of the state agency's contract. Without the review, the Commission could not be sure the vendor made or planned to make a good-faith effort to contribute to state HUB contracting goals.

## Recommendation/Requirement

The Commission must abide by the procurement procedures in the [State of Texas Procurement and Contract Management Guide](#) – HUB Subcontracting Plan Requirements to determine whether subcontracting opportunities are probable under the contract and, if so, must clearly state that probability in the solicitation and require a HUB subcontracting plan. The Commission must enhance its procurement process to meet all procurement and documentation requirements.

## Pre-Award Vendor Performance Tracking System (VPTS) Report Not Evaluated

Auditors identified one contract totaling \$1,045,500 where the Commission did not evaluate vendor performance reports before awarding a contract. The Commission stated that the documents could not be located. Incorporating the review of the vendor performance report before awarding a contract allows the Commission to identify vendors that have exceptional performance and have met all contract obligations, and to protect the state from vendors with unethical business practices. The Commission must evaluate all the information collected before awarding a contract.

The Statewide Procurement Division (SPD) administers a vendor performance tracking system for use by all ordering agencies per [Government Code, Section 2262.055](#) and [34 Texas Administrative Code Section 20.115\(b\)](#). The VPTS relies on participation by ordering agencies to gather information on vendor performance. All agencies must 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 provide supporting documentation. Ordering entities are also encouraged to report vendor performance for purchases under \$25,000. Agencies



submit Vendor Performance Reports electronically through the VPTS. See [State of Texas Procurement and Contract Management Guide](#) – Monitoring Methods – Vendor Performance Reports.

Accurately reporting contractor performance allows agencies to share vendor information and facilitates better oversight of state contracts.

### Recommendation/Requirement

---

The Commission should enhance its policies and procedures to ensure that the vendor performance reports are evaluated before awarding a contract. A dated copy of the review results from the specified website must be retained as evidence and included in the procurement file.

## System for Award Management Not Verified in a Timely Manner

Auditors identified one contract totaling \$500,000 where the Commission did not verify the System for Award Management (SAM) database in a timely manner. The Commission provided documentation that the SAM verification was conducted, but it was conducted after the Notice of Award letter was sent to the vendor.

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 and blocked persons. See [State of Texas Procurement and Contract Management Guide](#) – Vendor Compliance Verifications – SAM Check.

### Recommendation/Requirement

---

The Commission must conduct the SAM search prior to any purchase, contract award, extension or renewal. A dated copy of the review results from the specified website must be retained and included in the procurement file.

## Travel Transactions

Auditors developed a representative sample of 25 travel transactions totaling \$3,349.83 to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

## Fixed Assets

Auditors developed a representative sample of five transactions to test for accurate reporting and to 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 in these transactions.



## Security

The audit included a security review to identify any of the Commission'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 no exceptions in these transactions.

## Internal Control Structure

The review of the Commission's internal control structure was limited to obtaining reports identifying current user access. The audit tests conducted revealed the following exception in user access.

### Control Weakness over Expenditure Processing

Auditors reviewed certain limitations that the Commission placed on its accounting staff's ability to process expenditures. Auditors reviewed 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 May 3, 2018.

The Commission had two employees with multiple security capabilities. Both employees had the security access to:

- Create a vendor and adjust vendor payment instructions in TINS and approve paper vouchers and electronic payment vouchers in USAS.
- Adjust employee payment instructions in TINS and process and release payroll in USAS and SPRS.

One of the two employees could also pick up warrants from the Comptroller's office and was on the signature card, enabling the employee to approve paper vouchers. Additionally, these two employees and a third Commission employee could process and release payments between the internal system and USAS.

The Commission stated that these issues occurred due to limited staff availability.

Auditors also ran a report to determine whether any of the Commission's payment documents processed through USAS during the audit period because of the action of only one person. No issues were identified.

### Recommendation/Requirement

The Commission should review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure no individual is able to process payments without oversight.





Auditors strongly recommend that the Commission implement the following:

1. Limit the access of users who can process or approve electronic or paper vouchers to view only access in TINS (PTINS02). An individual must not be able to create or change a vendor profile, create a payment, and approve the payment.
2. Elect to have the document tracking control edit on the Agency Profile (DØ2) set to either prevent or warn a user attempting to release a batch that the same user entered or altered for the agency.
3. Limit the access of users who can process and release payroll in USAS or SPRS to view only access in TINS (PTINS02). An individual must not be able to change an employee payment instruction and process and/or release payroll.
4. Work with Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in SPRS and USAS.
5. Limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the user from the agency's signature card.
6. Ensure that employees with payment voucher entry/change/delete status in the Commission's internal system are not able to approve/release payments in the internal system or in USAS. A supervisor or another employee must approve vouchers in the internal 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 any of the following:
  - Uniform Statewide Accounting System (USAS),
  - Uniform Statewide Payroll/Personnel System (USPS),
  - Standardized Payroll/Personnel Reporting System (SPRS),
  - Human Resource Information System (HRIS) or
  - 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 the Texas State Library and Archives Commission (Commission) payroll, purchase, procurement and travel transactions that processed through the USAS and SPRS 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 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

*Steve Tamez, Lead Auditor*

*Amanda Price, CTCD, CFE*

*Eunice Miranda, CTCD*

*Mayra Castillo, CTCD*





## 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"><li>• Lack of appropriate and sufficient evidentiary matter.</li><li>• Restrictions on information provided to auditor.</li><li>• Destruction of records.</li></ul>	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.