



# An Audit of the Texas A&M Forest Service

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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether the Texas A&M Forest Service (Service):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office) and covers the period from Dec. 1, 2019, through Nov. 30, 2020.

## Background

The Texas A&M Forest Service (Service) provides statewide leadership to ensure the state's trees, forests and related natural resources are protected and sustained for the benefit of all. The Service is also one of the lead agencies for incident management in the state. In partnership with other agencies, local governments and fire departments, the Service provides programs to aid communities across the state by giving them tools and resources to actively protect themselves and their properties.

Texas A&M Forest Service website  
<https://tfsweb.tamu.edu/>

## Audit Results


The Service largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll deductions, travel transactions, grant transactions, property management records, internal control structure or system security. However, the Service should consider making improvements to its payroll, purchase/procurement and contracting processes.

The auditors reissued one finding from the previous audit conducted at the Service related to miscoded payment transactions. Auditors originally issued this finding in November 2016. An overview of audit results is presented in the following table.





## Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Incorrect hazardous duty payment amounts	Compliant, Findings Issued
<u>Purchase, Payment Card and Contract Transactions</u>	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"><li>• Missing vendor compliance verifications.</li><li>• Missing required contract clauses.</li><li>• Failure to report to the Vendor Performance Tracking System.</li><li>• Unallowable reimbursement of state funds</li></ul>	Compliant, Findings Issued
Travel and Travel Card Transactions	Did travel and travel card 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
<u>Targeted Analysis</u>	Did the coding of payment transactions comply with Comptroller requirements?	 Incorrect Texas Identification Number	Compliant, Findings Issued
Internal Control Structure	Are 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



Repeat Finding



Area	Audit Question	Results	Rating
Security	Are Service 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 the Service mitigate risk arising from control weaknesses. Key recommendations include:

- Ensuring policies and procedures include quality control measures and procedures so that employee data is entered correctly into the internal payroll/personnel system to prevent errors in hazardous duty pay amounts.
- Ensuring staff performs all applicable vendor compliance verifications, documents the verifications for every procurement and retains proof as part of the procurement files.
- Incorporating all Texas required contract clauses in its contract and purchase order templates.
- Reporting vendor performance information for purchases over \$25,000 to the Vendor Performance Tracking System (VPTS).
- Avoiding purchases of goods or services it does not have statutory authority to purchase with appropriated funds or requesting a reimbursement to local funds from appropriated funds.
- Ensuring use of a vendor-specific Texas identification number (TIN) when coding third party payment transactions.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$202,366.55 from a group of 30 employees and 184 payroll transactions to ensure the Service complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed exceptions for this group of transactions.

Additionally, auditors reviewed a limited sample of 10 voluntary contribution transactions. No exceptions were identified.

## Incorrect Hazardous Duty Payment Amounts

Auditors identified six employees with incorrect hazardous duty pay amounts. The calculations of the months of service in the Service's payroll system were not correct resulting in one underpayment totaling \$130 and five overpayments totaling \$460. According to the Service, its payroll system was not configured to calculate the change between hazard duty and longevity in mid-month, so it had to manually adjust the days between the two types of payments to calculate correctly. The Service added that the TAMUS Workday Services is looking for a solution for future transactions. The Service has made the applicable corrections and stated that it will be processing the payment for the underpaid employee and recouping the funds for the overpayments.

For employees who are eligible for hazardous duty pay, each position held by the employee, whether at the Service or at other state agencies, should be analyzed as to whether it counts towards hazardous duty service (i.e., accumulates hazardous duty pay) or regular service (i.e., accumulates longevity pay). Hazardous duty pay should be calculated and paid correctly based on the length of service. See [Texas Payroll/Personnel Resource – Agency-Specific Provisions – Hazardous Duty Pay](#).

## Recommendation/Requirement

The Service must verify prior state service data for employees working in hazardous duty positions to ensure they are receiving lifetime service credit for all eligible periods of employment in hazardous duty positions. The Service must ensure its operating procedures include internal quality controls and procedures to ensure that employee hire dates are entered correctly into its internal payroll/personnel system at the time of hire, to prevent incorrect hazardous pay amounts. The Service should consider recovering the overpayments made to employees in accordance with [Texas Government Code, Chapter 666](#). Additionally, the Service must compensate the employee who was underpaid hazardous duty pay.



## Service Response

*Actions have been taken to recover the five overpayments and to compensate the employee for the one underpayment.*

## Purchase, Payment Card and Contract Transactions

Auditors developed a sample of 31 purchase transactions totaling \$38,936,061.73 and 17 payment card transactions totaling \$89,125.28. Two contracts with values of \$113,030.98 and \$394,045 were also selected along with a sample of 15 contract payment transactions totaling \$408,040.98 to ensure the Service complied with the GAA, [eXpendit \(FPP I.005\)](#), the Service's policies and procedures, and pertinent statutes. Audit tests revealed the following exceptions for these groups of transactions.

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$113,030.98	Heavy Construction Equipment	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"><li>Missing vendor compliance checks.</li><li>Missing required contract clauses.</li></ul>	Failure to report to VPTS.
Contract B	\$394,045.00	Fire Curtains	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none"><li>Missing vendor compliance checks.</li><li>Missing required contract clauses.</li></ul>	No exceptions

## Missing Vendor Compliance Verifications

Auditors identified the following instances where the Service was unable to provide evidence of performing the vendor compliance verifications (VCV) for 14 purchase transactions, 15 payment card transactions and the two contracts reviewed. The Service must provide evidence, such as a screen print, showing that each verification was performed.

## Warrant Hold Check

Auditors identified 15 payment card transactions out of the 17 transactions audited where the Service did not document the verification of the vendor's warrant hold status before making a purchase. The Service must check warrant hold status if payment is made with local funds or if a payment card purchase is over \$500. See [TexPayment Resource – Hold Special Circumstances, Local Funds](#) and [Payment Card Purchases](#). The Service cannot proceed with a purchase made with local funds or a payment card





purchase over \$500 until the warrant hold is released. 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 contract execution if payments under the contract will be made with local funds. If the vendor is on warrant hold, the Service may not enter into a written contract with the vendor unless the contract requires the Service's payments under the contract to be applied directly toward eliminating the vendor's debt or delinquency, regardless of when it arises. See [Texas Government Code, Section 2252.903\(a\)](#) and [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

In addition, accounting practices for emergency response purchases are still governed by the policies, regulations, rules and procedures relating to normal procurement, receipt and disbursement activities. The fact that the Service may be responding to an emergency does not exempt every purchase made while responding to the disaster from the rules. It is reasonable that the Service may have emergency purchases when responding to a governor's declaration or disaster and if the Service determines that any purchase it is making is an "emergency purchase," it must provide proof that the purchase was considered an emergency and document the details surrounding the decision and purchase.

According to the Service, the requirement to check for warrant hold on payment card transactions exceeding \$500 is in its procedures but it does not currently require documentation of this check.

### **System for Award Management Check**

The Service was unable to provide proof that it conducted a System for Award Management (SAM) check before entering into a contract for three purchase transactions. The Service must check the SAM database to verify the vendor is not excluded from grant or contract participation at the federal level. A contract cannot be awarded to a vendor on the U.S. Treasury Board, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions). See [Executive Order 13224](#). According to the Service, staff failed to perform the check on these purchase orders.

### **Iran, Sudan, and Foreign Terrorist Organization List Check**

The Service was unable to provide documentation showing it performed the Iran, Sudan, and foreign terrorist check prior to entering into the contract for 14 purchase transactions and the two contracts reviewed. Agencies may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Section 2252.152](#). Each agency must check the divestment lists before award to determine if the potential awardee is in violation of this requirement. The Texas Safekeeping Trust Company maintains the divestment lists and posts them





to the Comptroller's [Divestment Statute Lists website](#). According to the Service, the check was conducted by purchasing staff, but the purchase order checklist was never updated to document it. The Service added that the checklist has since been updated to include the check.

## Recommendation/Requirement

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The Service must conduct all VCV checks before any purchase, contract award, extension, or renewal, and must retain evidenced results in the procurement file.

## Service Response

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*The agency has updated the vendor compliance verification checklist used by Purchasing Department staff and is in the process of issuing updated guidance to departments for performing vendor compliance verification checks on delegated purchases.*

## Missing Required Contract Clauses

Auditors reviewed two contracts for compliance with state and university procurement requirements. In both contracts, auditors were unable to find the following statutorily required contract clauses:

- Entities that Boycott Israel Clause: [Texas Government Code, Section 2271.002](#).
- Foreign Terrorist Organizations Clause: [Texas Government Code, Section 2252.152](#).
- No Conflicts of Interest: [Texas Government Code, Sections 2252.908, 2254.032](#) and [2261.252\(b\)](#).

Failure to include these required contract clauses increases the risk that the Service's contracts will be in violation of federal or state statutes and rules. It also increases the risk that the contracts and the Service will be subject to legal challenge or regulatory action. According to the Service, these clauses currently exist in the agency's standard addendum for contracts; however, it did not use an agency contract for the two purchases. The Service added that at the time of the two purchases, these clauses were not included in the Service's purchase order terms and conditions document that accompanied the purchase.

## Recommendation/Requirement

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The Service must include all required contract clauses in its contract and purchase order templates to better protect the interest of the state. Any omitted required clause must have clear justification from counsel as to why it was not needed or why it is not applicable to the particular contract. The justification must be documented in the procurement file.



## Service Response

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*The agency has updated the purchase order terms and conditions document to include the required contract clauses.*

## Failure to Report to the Vendor Performance Tracking System

During the audit, auditors identified 12 purchase transactions and one contract that were not reported to VPTS as required for contracts over \$25,000. The Service stated that it was the interpretation of the A&M System that the VPTS reporting requirement did not apply to institutions of higher education.

The Statewide Procurement Division (SPD) administers the VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). The VPTS relies on agency participation to gather information on vendor performance. Ordering agencies are also encouraged to report vendor performance for purchases under \$25,000. Agencies submit the vendor performance form (VPF) electronically via the SPD web application portal. See [Texas Government Code, Section 2155.089](#) and [Section 2262.055](#). While Senate Bill No. 799, 87th Leg., 2021, amended [Section 2155.089\(c\), Government Code](#), to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021, all of the transactions and contracts reviewed for this audit were solicited prior to the bill's implementation date.

## Recommendation/Requirement

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For solicitations that began before Sept. 1, 2021, the Service must report purchases and contracts over \$25,000 to VPTS to identify suppliers demonstrating exceptional performance, aid purchasers in making a best value determination based on vendor past performance and protect the state from vendors with unethical business practices. Reporting should also identify vendors with repeated delivery and performance issues, provide performance scores in four measurable categories for Centralized Master Bidders List (CMBL) vendors, and track vendor performance for delegated and exempt purchases.

## Service Response

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*The agency is an institution of higher education, as defined by Section 61.003, Education Code, and is exempt from the requirements of Section 2155.089, Government Code.*

## Comptroller Response

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While it may appear at first that Texas Education Code, Section 51.9335(d) exempts institutions of higher education from Government Code, Title 10, Subtitle D, such a broad exemption would conflict with the definition of "state agency" in Chapter 2151, which specifically includes such institutions. Due to that apparent conflict, the references to "acquisition" and "procurement" in Section 51.9335 must be read as limiting the scope of the exemption. Specifically, institutions of higher education are



exempt from procurement provisions in Subtitle D, but must follow the rest of the subtitle. Because the reporting of vendor performance under Section 2155.089 is not part of the procurement of goods and services and cannot possibly occur until the procurement process is complete, it is outside the scope of the 51.9335(d) exemption. In addition, the fact that the Legislature listed certain acquisition provisions that apply to institutions of higher education, Historically Underutilized Business (HUB) and procurement from persons with disabilities, further illustrates the distinction between the acquisition provisions in Subtitle D and the rest of Subtitle D. Both the HUB statutes and the procurement from persons with disabilities provisions affect how goods and services are acquired, specifying procurement processes and for some goods which vendors must be used. SB 799, 87th Legislature, Regular Session (2021), amended Section 2155.089(c), Government Code, to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021.

## Unallowable Reimbursement of State Funds

Auditors identified two payment card transactions where the Service requested reimbursements to local funds for unallowable purchases. The first transaction was a reimbursement to local funds for the purchase of custom frames for the Smokey Bear award. According to the Service, the incorrect funding source was used and should have been paid from non-state funds. In the second transaction, the Service requested reimbursement from state funds for the purchase of badge dispensers, stress balls and pocket knives. According to the Service, the items purchased were supplies intended to raise awareness among fire departments regarding assistance programs available to them. The Service stated that it did not deem these items as promotional items but would reimburse the state from non-state funds to resolve the difference in interpretation. The Service has since processed the corrections and reimbursed the state from non-state funds.

According to [eXpendit – Statutory Authority for Purchases](#), a state agency may purchase a good or service only if the agency has specific or implied statutory authority for purchase. A state agency has implied statutory authority to purchase a good or service only if it is necessary for the agency to fulfill its specific statutory duties.

## Recommendation/Requirement

The Service must update its policies and procedures to ensure that the Service does not purchase goods or services that it does not have statutory authority to purchase with appropriated funds or request a reimbursement to local funds from appropriated funds.

## Service Response

*The agency is in the process of issuing updated guidance to departments.*





## Travel Transactions

Auditors developed a sample of 30 travel transactions totaling \$30,105.98 to ensure the Service complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

## Grant Transactions

Auditors developed a sample of six grant transactions totaling \$1,038,404.89 to ensure the Service complied with the GAA, [Requirement to Publish Purpose of State Grants \(FPP S.010\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

## Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the Service's procedures for processing these transactions to determine compliance with state rules, regulations and processing requirements. Audit tests revealed the following exception in the targeted analysis reports.

## Incorrect Texas Identification Number (TIN)

In two reports generated outside of the sample, auditors noted many Service reimbursement transactions that processed with an incorrect TIN. Auditors identified five travel and 2,286 credit card local fund reimbursement documents using an incorrect TIN. Auditors provided the Service an electronic copy of the spreadsheet for review.

According to the Service, it officially launched CONCUR for new procurement card activity and new procurement cards were issued throughout the agency. However, prior to the move to CONCUR, due to limited agency staffing and resources, procurement card transactions were processed as expense distribution vouchers with Citibank mail code "013" as the expense vendor. The Service added that due to COVID-19, the agency's ability to process all procurement card transactions in USAS prior to Aug. 31, 2020 was hindered and the issues identified represent the former process. The Service has also been working on processing transactions that remained from the previous process.

The 247-transaction line for travel transactions must carry the TIN for the employee purchase. Reimbursements must carry one of the following:

- The TIN for the business where the original purchase was made.
- The TIN of each employee incurring the expenses.
- The TIN of each grantee receiving the grant.
- The non-specific payment card TIN.



(The non-specific payment card TIN may be used only on third-party payment card transactions if the TIN/mail code is unknown for a specific vendor and all efforts to obtain the vendor's TIN are unsuccessful.). The 904-transaction line is payable to the University's local bank account.

Improper processing procedures can result in the inaccurate reporting of expenditures for public information requests. See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) that explains how state agencies and institutions of higher education must process third party payments through USAS. This information is essential to an accountable and open government. It is also used for open records requests and is required for post-payment auditing purposes. The options for an institution to comply with [FPP A.043](#) may include manually entering the required data, implementing system changes, or not seeking state reimbursement for purchase cards.

## Recommendation/Requirement

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The Service must continue to monitor its new processes when processing third party transactions and ensure that USAS, the accounting system of record for the state of Texas, includes proper vendor and employee-level detail required by FPP A.043.

## Service Response

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*The agency has fully implemented Concur to allow the agency to meet the coding requirements for procurement card transactions.*

## Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly tagged. Audit tests revealed no exceptions in these transactions.

## Security

The audit included a security review to identify Service 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 met so that security can be revoked in a timely manner. Audit tests revealed no exceptions.

## Internal Control Structure

The review of the Service's internal control structure was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed no exceptions in user access.



# 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
  - 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 the Texas A&M Forest Service (Service) payroll, purchase and travel transactions that processed through USAS from Dec. 1, 2019, through Nov. 30, 2020, to determine compliance with applicable state laws.

The Service received 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 Service should implement the recommendations listed in the Detailed Findings of this report. It is the Service'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 the Service's documents comply in the future. The Service must ensure the findings discussed in this report are resolved.





## **Audit Methodology**

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

## **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**

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*Raymond McClintock*

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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
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.