



An Audit of the **Texas Animal Health Commission**

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas Animal Health Commission (Commission):

- 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.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from June 1, 2021, through May 31, 2022.

Background

The Texas Animal Health Commission was founded in 1893 to address the Texas fever tick problem. Today, the Commission works to protect the health of all Texas livestock from infectious diseases.

**Texas Animal Health
Commission website**

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

Audit Results

The Commission generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller's office requirements. Auditors found no issues with travel expenditures or property management. However, the Commission should consider making improvements to payroll, purchase, payment card and personnel processes.

The auditors reissued five findings from the previous audit conducted at the Commission related to procurement issues. Auditors originally issued these findings in August 2018. 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?	<ul style="list-style-type: none">• Incorrect lump-sum death payment.• Incorrect state effective service date/longevity pay amount.	Compliant, Findings Issued
Purchase, Procurement, Payment Card (PCard) and Contract Transactions	Did purchase, procurement, PCard and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">🔄 Missing pre-award Vendor Performance Tracking System (VPTS) check/failure to report to VPTS/untimely VPTS reporting.🔄 Missing System for Award Management check.🔄 Vendor warrant hold status not verified.• Failure to report contracts to the Legislative Budget Board (LBB).🔄 Missing proof of Centralized Master Bidders List (CMBL) search.• Failure to monitor contract/paid-for services not on contract• Missing Electronic State Business Daily (ESBD) solicitation/ESBD notice of award postings.• Missing State Auditor's office (SAO) delegation of authority for audit services.🔄 Missing signed proprietary justification letter.• Prompt payment – late payment.	Noncompliant
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant

 Repeat Finding



Area	Audit Question	Results	Rating
Fixed Assets	Were tested assets in their intended locations 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?	<ul style="list-style-type: none">• Incorrect format on charge card invoice number and description.• Missing IAT information on Direct Deposit Authorization forms.	Compliant, Findings Issued

 Repeat Finding

Key Recommendations

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

- The Commission must improve its current payroll processes to prevent incorrect payments of accrued vacation time.
- The Commission must review its controls and personnel records to ensure accuracy and completeness of state service records.
- The Commission must ensure procurement staff checks the Vendor Performance Tracking System (VPTS) before determining whether to award a contract to a vendor. Staff must retain records in the procurement file of the VPTS review results dated before contract award.
- The Commission must conduct all vendor compliance verification (VCV) checks before any purchase/procurement, contract award, extension or renewal, and must retain results from the specified website in the procurement file.
- The Commission should review and update its procedures for checking warrant hold status documentation for all payment card purchases over \$500.
- The Commission must report all applicable contracts to the Legislative Budget Board (LBB) in compliance with the [LBB Contract Reporting Guide](#).
- The Commission must use the Centralized Master Bidders List (CMBL) for all purchases that require competitive bidding or competitive sealed proposals.
- The Commission must enhance its policies and procedures to ensure appropriate contract monitoring processes are in place for each awarded contract.



- The Commission must ensure that any contract over \$25,000 is posted on the Electronic State Business Daily (ESBD) for the proper duration and that staff maintains posting documentation in the contract file.
- The Commission must ensure it obtains a delegation of authority from the State Auditor's office (SAO) for the procurement of all audit services.
- For proprietary purchases, the Commission must include a written justification signed by the agency head, the chairman of its governing body, or the person the agency procurement plan delegates such signature authority to.
- The Commission must ensure its processes enable payments to be made on time in accordance with prompt payment law.
- The Commission must enhance its procedures to ensure payments for third-party transactions are processed in accordance with Comptroller policies.
- The Commission must ensure all payees who request direct deposit payments submit a completed, signed Direct Deposit Authorization form with the international payment verification question answered.



Detailed Findings

Payroll and Deduction Transactions

Auditors developed a sample of 25 employees and examined 118 of their payments totaling \$308,974.59 to ensure the Commission complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed the following exceptions in this group of transactions.

Incorrect Lump-Sum Death Payment

Auditors identified one instance of an incorrectly calculated lump-sum death payment that resulted in an overpayment to the employee's estate.

The lump-sum payment calculation for the employee reflected an incorrect number of total sick leave hours, resulting in an overpayment of accrued sick leave. According to the Commission, the error occurred because Commission staff was not aware of the statute regarding the number of sick leave hours to include in a lump-sum death payment.

When a state employee dies, the state pays the employee's estate for the balances of the employee's vacation and sick leave. Payment under this statute may not be for more than the accumulated vacation leave and one-half of the state employee's accumulated sick leave or 336 hours of sick leave, whichever is less. See [Texas Government Code, Section 661.033](#).

Recommendation/Requirement

The Commission must improve its current payroll processes to prevent incorrect payments of accrued vacation time, and must recover any overpayments in accordance with [Texas Government Code, Chapter 666](#), unless it is not cost effective to do so.

Commission Response

All policies and procedures impacted by this recommendation have been reviewed, updated as needed and implemented. The departments held meetings to review the policies to ensure that each staff member was aware of the changes and understood the process moving forward.

The changes made to our procedures now include information regarding lump-sum death payments in accordance with Texas Government Code, Chapter 666.



Incorrect State Effective Service Date/Longevity Pay Amount

Auditors identified one employee with an incorrect state effective service date in the Centralized Accounting and Payroll/Personnel System (CAPPS) and another employee with inconsistent state effective service dates in the Uniform Statewide Payroll/Personnel System (USPS) and CAPPS. For the first employee, the additional employment was identified after the Commission's move to CAPPS. For the second employee, the state effective service date automatically updated in CAPPS but was not corrected in USPS before the move to CAPPS.

The Commission has procedures to verify prior state service, including verifying state service when an employee lists previous state employment in the application. One of the employees listed prior state employment on the application, but Commission staff overlooked it at the time of hire. This resulted in a longevity underpayment of \$2,080. As a result of the audit, the Commission sent a verification form to the prior agency and received verification of the prior service.

The Commission entered the prior state service in CAPPS for the other employee. This employee started receiving the correct longevity pay when the Commission moved to CAPPS, but the longevity amount paid before the CAPPS move was not corrected, resulting in a longevity underpayment of \$640. The Commission processed a payroll document to compensate the employees for the longevity underpayments using regular payroll and miscellaneous claims processes.

When an agency hires an employee, it must research whether the employee has previous state employment. If prior state employment exists, the agency must confirm the amount of lifetime service credit and properly record it, or risk underpaying longevity pay. See [Texas Payroll/Personnel Resource - Non-Salary Payments - Longevity Pay](#).

Recommendation/Requirement

The Commission must review its controls and personnel records to ensure accuracy and completeness, per [34 Texas Administrative Code Section 5.40\(c\)\(2\)](#). Each state agency must ensure its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to an employee.

The Commission must ensure it follows its internal policies, verifies previous state employment when it is listed on an application or other applicable form, and enters the prior employment dates correctly. Additionally, the Commission should consider adding a review of the [State of Texas Employment History Application](#) during the new hire process to ensure employees receive state service credit for eligible periods of state employment.



Commission Response

The Human Resources Department reviews all newly hired personnel applications for previous state employment. All new hires receive a Verification of Prior State Employment Form in their new hire paperwork packet and CAPPs is reviewed for prior state employment history as well.

The Human Resources Department contacts each state agency as directed to determine eligible prior state employment at the time of hire. Once all information has been entered, the entries are reviewed by the Payroll Coordinator to ensure the information is correct and complete.

Purchase, Procurement, Contract and Payment Card Transactions

Auditors developed a sample of 25 purchase transactions totaling \$455,678.57 and 15 payment card transactions totaling \$43,557.20 to ensure the Commission complied with the GAA, LBB, [eXpendit \(FPP I.005\)](#) and the [State of Texas Procurement and Contract Management Guide](#). Audit tests revealed the following exceptions for these transactions:

Missing Pre-Award Vendor Performance Tracking System (VPTS) Check/ Failure to Report to VPTS/Untimely VPTS Reporting

For eight purchase/procurement transactions, the Commission did not review the vendor performance reports before awarding the procurement.

Auditors also identified four purchase/procurement transactions for contracts over \$25,000 that were not reported to the VPTS, and four purchase/procurement transactions that were not reported within the 30-day requirement.

The Commission attributed this oversight to significant agency turnover during the audit period.

[Texas Government Code, Section 2262.055\(d\)](#) requires state agencies to use the VPTS to determine whether to award a contract to a vendor reviewed in the tracking system.

The Comptroller's 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 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 SPD and for any other purchase over \$25,000 made through delegated authority granted by SPD, and are encouraged to report vendor performance for purchases under \$25,000. Agencies must also maintain supporting documentation. See [Texas Government Code, Sections 2155.089](#) and [2262.055](#), and [34 Texas Administrative Code Section 20.509](#).



Recommendation/Requirement

The Commission must ensure procurement staff checks the VPTS before determining whether to award a contract to a vendor. Staff must retain VPTS review results dated before contract award in the procurement file. For contracts with a total value over \$25,000, the Commission must also assess and report the vendor's performance to VPTS once a contract is completed or otherwise terminated. Similarly, if the contract value exceeds \$5 million, reports must be done at other required intervals.

In addition, staff training programs and related documentation should include instructions on using and reporting to the VPTS. Using a procurement checklist could help ensure all requirements are completed; a template checklist is available in the [*State of Texas Procurement and Contract Management Guide*](#).

Commission Response

The Purchasing Department currently performs this step prior to awarding any contract. To ensure consistency, a checklist was developed for the department and will be maintained for each file.

We have also revised both the Procurement and Purchasing policies to ensure they include all requirements.

As the Texas Animal Health Commission is a smaller agency, all staff within the Purchasing Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.

Missing Vendor Compliance Verifications (VCVs)

For seven purchase and six payment card transactions, the Commission could not provide evidence staff performed two of the applicable VCVs at all or performed them in a timely fashion.

System for Award Management Check (SAM)

The Commission conducted delayed SAM checks for two purchase/procurement transactions. These checks were conducted after the purchases/procurements were completed. Auditors also noted that for five transactions, the Commission could not provide evidence that staff conducted a SAM check before purchase/procurement award. The Commission attributed this oversight to significant agency turnover during the audit period.

Agencies must check the SAM database to verify that the vendor is not excluded from grant or contract participation at the federal level. 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 (with limited exceptions). See [executive order 13224](#) and the [State of Texas Procurement and Contract Management Guide](#) – Federal Database Checks.

Vendor Warrant Hold Status Not Verified

The Commission failed to verify the vendor's warrant hold status before paying for six payment card transactions, each over \$500. For these transactions, the warrant hold check was missing, undated or dated on the date the purchase voucher was assembled, after the payment card transaction date. The Commission is at risk of violating Texas law prohibiting state payments to those who owe the state money. The Commission reported significant turnover during the audit period.

Before making a credit card purchase over \$500, state agencies must verify the vendor's hold status. Per [34 Texas Administrative Code Section 5.57\(g\)\(6\)](#), a state agency cannot use payment cards for a purchase from a vendor on warrant hold. Agencies must follow [Reporting of State Debts and Hold Offset Procedures \(APS 028\) \(FPP E.037\)](#).

Recommendation/Requirement

The Commission must conduct all VCVs before any purchase/procurement, payment card purchase over \$500, contract award, extension or renewal, and must retain results from the specified website in the procurement file.

Commission Response

The Purchasing Department currently performs this step prior to any purchase/procurement, payment card purchase of \$500 or more, contract award or renewal. To ensure consistency, a checklist was developed for the department and will be maintained for each file. A meeting was held with department staff to discuss the documents that must be kept for each file and to resolve any issues or concerns.

We have also revised both the Procurement Card and Purchasing policies to ensure they include all requirements.

As the Texas Animal Health Commission is a smaller agency, all staff within the Purchasing Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.

Failure to Report Contracts to the Legislative Budget Board (LBB)

For three purchase/procurement transactions, the Commission failed to report the contract to the LBB. The [GAA, Article IX, Section 7.04](#) requires a state agency that receives an appropriation under the GAA to report contracts over \$50,000 to the LBB. The Commission reported significant turnover during the audit period.



Recommendation/Requirement

The Commission must report all applicable contracts to the LBB in compliance with the [LBB contract reporting guide](#). Additionally, the Commission should ensure staff is trained on and understands the LBB reporting requirements.

Commission Response

The purchaser/contract specialist staff member assigned to the contract is responsible for completing or verifying the completion of all close-out actions once a contract has been awarded. To ensure consistency, a checklist was developed for the department and will be maintained for each file. A meeting was held with department staff to discuss the documents that must be kept for each file and to resolve any issues or concerns.

As the Texas Animal Health Commission is a smaller agency, all staff within the Purchasing Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.

Missing Proof of Centralized Master Bidders List (CMBL) Search

The Commission did not provide evidence staff conducted a CMBL search of all eligible vendors for one purchase/procurement. The Commission reported significant turnover during the audit period.

The CMBL is a database of registered vendors, contact information, and a list of goods and services each offers. Vendors pay a nominal annual fee to receive notification of opportunities for solicited commodities and/or services through an invitation for bid, request for proposal, request for offer or request for qualifications. Agencies must use the CMBL for all procurements subject to the SPD's authority, except for purchases exempted by law, and to gather information for noncompetitive procurement processes and vendor performance data.

Agencies must retain the awarded vendor's CMBL profile showing the date for file documentation. See the [State of Texas Procurement and Contract Management Guide](#) – Centralized Master Bidders List. Agencies must retain proof that they checked the CMBL system before awarding or renewing a contract. See [Texas Government Code, Sections 2155.263](#) and [2155.264](#), as well as [34 Texas Administrative Code Section 20.107\(g\)](#).

Recommendation/Requirement

The Commission must use the CMBL for all purchases, including services that require competitive bidding or competitive sealed proposals. A dated proof of the CMBL search results from the specified website must be included in the contract file as evidence of the vendor search.



Commission Response

To ensure consistency, a checklist was developed for the department and will be maintained for each file. A meeting was held with department staff to discuss the documents that must be kept for each file and to resolve any issues or concerns.

As the Texas Animal Health Commission is a smaller agency, all staff within the Purchasing Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.

Failure to Monitor Contract

Auditors identified one purchase/procurement transaction that lacked oversight of contract monitoring and services rendered. The contract, effective March 30, 2021, had a termination date of Aug. 31, 2021, with two optional renewals terms. The Commission renewed the first term from Sept. 1, 2021, to Aug. 31, 2022. During this term, the Commission discovered that the vendor solicitation response did not include a price for all the services referenced in the request for proposal (RFP) statement of work. The vendor provided a price for one service, but not for the second service or any other cost as required in the RFP.

According to the Commission, the discrepancy resulted from an oversight during the initial phase of the contract award. When the vendor responded to the RFP, the price per service quoted did not include one of the two services required by the RFP or any associated administrative fees. The Commission accepted and paid the invoices with the higher amounts, but the vendor was performing the services required in the RFP statement of work and was invoicing for these services. The Commission stated it will ensure staff reviews future contracts more thoroughly.

Monitoring the contract's performance is a key function of proper contract administration, both to ensure the vendor is performing all contract obligations and so the agency can be aware of and address any developing problems. For best business practice, see the [State of Texas Procurement and Contract Management Guide](#) – Contract Management – Monitoring Methods.

State agencies must also inspect and evaluate all goods or services at the time of receipt to determine whether they comply with the contract they were purchased under, and if they do, certify the compliance and that the invoice is correct. See [Texas Government Code, Section 2155.322](#).

Recommendation/Requirement

The Commission must enhance its policies and procedures to ensure appropriate solicitation evaluation and contract monitoring processes are in place for each contract (or type of contract) awarded, and must document those procedures in its procurement files. The Commission must review invoices for completeness and accuracy and compare them to the contract to ensure payments do not exceed the contracted amounts.



Commission Response

To ensure that contract expenditures do not exceed contracted amounts, invoices are reviewed for additional charges, incorrect expenditures and accurate information. If discrepancies are identified, the staff member will contact the vendor for an explanation and request a corrected invoice. If a resolution cannot be reached, the legal department will review the issue, contact the vendor and determine the next course of action.

A meeting was held with department staff to discuss the documents that must be kept for each file and to resolve any issues or concerns.

As the Texas Animal Health Commission is a smaller agency, all staff within the Purchasing Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.

Missing Electronic State Business Daily (ESBD) Solicitation/Notice of Award Postings

The Commission did not meet the solicitation advertisement requirements for one purchase/procurement transaction or the notice of award posting requirements for two purchase/procurement transactions. The procurement file did not have proof of the ESBD posting for these purchases, which were over \$25,000. The Commission reported significant turnover during the audit period. Agencies must advertise solicitations by posting them on the ESBD for all purchases, solicitations and/or notices of award expected to exceed \$25,000. This includes delegated purchases, emergencies, construction projects, professional or consulting services, proprietary purchases or purchases exempt from the SPD's purchasing authority. Agencies must advertise a complete solicitation package for at least 14 days, or 21 days if the solicitation package is too long or complex to post entirely. See the [State of Texas Procurement and Contract Management Guide](#) – Solicitation – Advertisement for best practices. Posting documentation must be maintained in the procurement file.

After the contract is awarded, a notification of award must be posted to the ESBD within two business days if the contract is expected to exceed \$25,000. If the action resulting from the ESBD posting is not a contract award, the Comptroller's office recommends the agency post notice of the non-award to the ESBD. Depending on the procurement, an agency may also choose to notify each respondent in writing of the non-selection and maintain proof of the ESBD procurement or contract notice posting in the procurement file.

Recommendation/Requirement

The Commission must post any contract over \$25,000 on the ESBD for the proper duration and must maintain posting documentation 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\(h\)\(4\)](#).

Commission Response

To ensure consistency, a checklist was developed for the department and will be maintained for each file. A meeting was held with department staff to discuss the documents that must be kept for each file and to resolve any issues or concerns.

As the Texas Animal Health Commission is a smaller agency, all staff within the Purchasing Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.

Missing State Auditor's Office (SAO) Delegation of Authority for Audit Services

Auditors identified one purchase/procurement transaction that did not contain the delegation of authority for audit services from the SAO. The Commission had obtained delegation of authority previously, but that delegation ended in fiscal 2021. The Commission reported significant turnover during the audit period.

Per [Texas Government Code, Section 321.020](#), a state agency may contract for audit services only if the agency is authorized to contract with a private auditor through a delegation of authority from the SAO. The scope of the proposed audit must be submitted to the SAO for review and comment, and the services of the private auditor must be procured through a competitive selection process in a manner allowed by law.

The [GAA, Article IX, Section 6.20](#) details the requirements for state agencies and institutions of higher education that use appropriated funds to contract for audit services.

Recommendation/Requirement

The Commission must ensure it obtains a delegation from the SAO for the procurement of all audit services.

Commission Response

The Commission procures an external audit service. We will submit a request for delegation to contract for external audit services, as mandated by Section 321.020, Government Code (House Bill 905, 79th Legislature, Regular Session). To ensure this step is completed, a checklist was developed for the department and will be maintained for each file.

A meeting was held with department staff to discuss the documents that must be kept for each file and to resolve any issues or concerns.



As the Texas Animal Health Commission is a smaller agency, all staff within the Purchasing Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.

Missing Signed Proprietary Justification Letter

Auditors identified one purchase/procurement transaction that was missing the proprietary justification letter signed by the agency head, chairman of its governing body, or person such signature authority has been properly delegated to in the agency procurement plan. A proprietary purchase justification is required for procurements of proprietary goods and services worth \$10,000 or more. The Commission reported significant turnover during the audit period.

“Proprietary” refers to a product or service with distinctive features or characteristics that similar products or services do not have. Proprietary purchases include products or services manufactured or offered under exclusive rights of ownership, including rights under patent, copyright or trade secret law. When the specification limits consideration to one product or supplier, a written proprietary purchase justification must be in the procurement file.

See [Texas Government Code, Section 2155.067](#) and [State of Texas Procurement and Contract Management Guide](#) – Proprietary Purchases.

Recommendation/Requirement

When the purchase specification limits consideration to one manufacturer, one product or one service provider, the Commission must include a written proprietary purchase justification signed by the agency head, chairman of its governing body, or person such signature authority has been properly delegated to in the agency procurement plan.

Commission Response

The Executive Director has written and signed a proprietary purchase justification and properly delegated to the appropriate agency personnel.

This document is included as part of each file, along with the approval to limit consideration to one manufacturer, product or service provider by the Executive Director or a designee.

Prompt Payment – Late Payment

The Commission paid two purchase/procurement transactions in the sample late, but did not pay the vendor the required interest. The Commission explained staff was not aware that interest was required. 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 entity receives the goods under the contract.
- The date the performance of the service under the contract is completed.
- The date the 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 it is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#) and [eXpendit – Prompt Payment](#).

Recommendation/Requirement

The Commission must ensure its processes enable payments to be made on time and in accordance with the prompt payment law. The Commission must pay prompt payment interest to vendors when it is due.

Commission Response

The Commission has put processes and procedures in place to ensure invoices are paid on time and in compliance with the prompt payment law. The Commission will pay interest when payments are late if appropriate.

The Finance Department experienced significant staff turnover during the last fiscal year. It is currently fully staffed and all staff members have been cross-trained to process payments. The Budget Director has implemented a shared mailbox so that all invoices can be easily viewed and to eliminate backlogs.

Travel Transactions

Auditors developed a sample of 15 travel transactions totaling \$8,010.17 and 15 travel card transactions totaling \$2,057.32 to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Audit tests revealed no exceptions for the travel sample.

Fixed Assets

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

Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the Commission's procedures for processing these transactions to determine compliance with state rules, regulations and processing requirements.



Incorrect Format on Charge Card Invoice Number and Description

Auditors ran a report to identify potential payments processed incorrectly to third-party vendors during the audit period, and identified that 203 of 2,252 payments processed incorrectly to the state's payment card vendor. The incorrect payments totaled \$48,976.42. The Commission failed to correctly format the billing account number in the invoice field as prescribed by [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\) \(login required\)](#) and [USAS and CAPPs Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the payment card vendor may not be able to directly post payments to the Commission's payment and travel card accounts. The Commission has reviewed and corrected the errors.

Recommendation/Requirement

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

Commission Response

The Commission contacted our representative to determine the cause of the error. Once the cause was identified, the representative instructed the Finance Department regarding the correct number to be used going forward on payment vouchers. This process was put in place and the issue has been corrected.

Missing IAT Information on Direct Deposit Application Forms

From a report generated outside the sample, auditors identified one missing Direct Deposit Authorization form and two incomplete forms out of seven. Without a properly completed form on file, the Commission was unable to indicate whether state funds were forwarded to a financial institution outside the United States. The Commission determined that the missing form was received by Commission staff, but was not placed in either the electronic or paper file.

The U.S. Treasury Department, Office of Foreign Assets Control requires all direct deposit payments transmitted outside the United States to be identified and monitored. To avoid potential federal penalties, each state agency must:

- Show due diligence in processing 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 the United States.



International automated clearing house transactions (IATs) are payments destined for a financial institution outside 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 of the United States, the agency may not set up that payee for direct deposit. Without current and properly completed forms on file, the Commission is unable to follow the direct deposit requirements. The other two direct deposit forms did not have an answer to the international payment verification question, but were accepted by the Commission.

Recommendation/Requirement

The Commission must ensure all payees who request 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 form is unsigned or incomplete.

Commission Response

To ensure this step is completed, the checklist used within the department was updated.

A meeting was held with department staff to discuss the documents that must be kept and completed for each file and to resolve any issues or concerns.

As the Texas Animal Health Commission is a smaller agency, all staff within the Finance Department is trained on the procedures and is tasked with verifying that all requirements have been completed prior to a file being considered closed or complete.



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.

Audit Scope

Auditors reviewed a sample of the Commission's payroll, purchase, procurement, PCard and travel transactions that processed through USAS from June 1, 2021, through May 31, 2022, to determine compliance with applicable state laws.

The Commission 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 Commission should implement the recommendations listed in the Detailed Findings of this report. It is the Commission's responsibility to seek refunds for any 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, 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

Scott Coombes, CTCM, CISA, CISSP, CRISC, lead auditor

Eunice Miranda, CTCD, CTCM, staff auditor (purchasing)

Anna Calzada, CTCD, staff auditor (payroll/HR)

David Saldivar, CTCD, CTCM, staff auditor (payroll/HR)

Kenneth Johnson, CPA, CIA, CISA, CTCD, CTCM, MBA, staff auditor (purchasing)



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.