



# An Audit of the Texas Commission on the Arts

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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether the Texas Commission on the Arts (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 Sept. 1, 2021, through Aug. 31, 2022.

## Background

The mission of the Texas Commission on the Arts is to advance our state economically and culturally by investing in a creative Texas. The Commission supports a diverse and innovative arts community in Texas, throughout the nation and internationally by providing resources to enhance economic development, arts education, cultural tourism and artist sustainability initiatives.

**Texas Commission on the Arts  
website**

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

## Audit Results

The Commission largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found the Commission should consider making improvements to its purchase and travel processes.

Auditors did not reissue any findings from the previous post-payment audit issued in December 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
<a href="#">Purchase/Procurement and Payment Card Transactions</a>	Did purchase and payment card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"><li>• Missing receiving documentation.</li><li>• Incorrect procurement method used.</li><li>• Missing Electronic State Business Daily (ESBD) solicitation/ESBD notice of award postings.</li><li>• Missing pre-award Vendor Performance Tracking System (VPTS) check.</li><li>• Missing vendor compliance verifications.</li><li>• Missing statutory authority for purchase.</li></ul>	Compliant, Findings Issued
<a href="#">Travel, Non-Employee Travel and Travel Card Transactions</a>	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"><li>• State travel contract not used.</li><li>• Reimbursement of travel for other persons.</li><li>• Missing signature on travel voucher.</li></ul>	Compliant, Findings Issued
Grant Transactions	Did grant transactions comply with the GAA and state laws and regulations pertaining to grants?	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



Area	Audit Question	Results	Rating
<a href="#">Target Analysis</a>	Did the Commission comply with the payment card rebate program and Comptroller requirements relating to payment card invoice number and description?	<ul style="list-style-type: none"><li>• Loss to the rebate payment card program.</li><li>• Incorrect format on charge card invoice number and description.</li></ul>	<b>Compliant, Findings Issued</b>

## Key Recommendations

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

- Ensure staff maintains adequate documentation to support all payments for goods and services.
- Ensure the set-aside contracts for goods and services offered by WorkQuest receive priority over Texas Multiple Award Schedule (TXMAS), and ensure documentation is maintained for all purchases made as exceptions to the set-aside contracts.
- Ensure any contract for more than \$25,000 is posted on the Electronic State Business Daily (ESBD).
- Ensure a search for vendors on the Vendor Performance Tracking System (VPTS) is performed prior to contract award.
- Conduct all vendor compliance verifications and retain results from each check in the procurement file.
- Update policies and procedures to ensure the Commission does not purchase goods or services if it does not have statutory authority to do so.
- Must follow State Travel Management Program rules and use state contracts for lodging and other travel expenses.
- Amend payment card processes to comply with Citi Commercial Card requirements, take advantage of rebates and avoid the loss of rebates.
- Enhance procedures to ensure payments for third-party transactions are processed in accordance with Comptroller policies.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$95,047.93 from a group of 16 employees and 37 payroll transactions to ensure the Commission complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Purchase/Procurement and Payment Card Transactions

Auditors developed a sample of 15 purchase/procurement transactions totaling \$87,655.62 and five payment card transactions totaling \$2,192.22 to ensure that the Commission complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

## Missing Receiving Documentation

Auditors identified one purchase transaction that lacked documentation confirming the receipt of goods or services. The purchase was for goods, specifically an iPhone. Although the item appeared on the telecommunications statement, the Commission was unable to locate the receiving documentation for the iPhone.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), agencies must maintain necessary documentation for each purchase document to prove each payment is legal, proper and fiscally responsible. The Comptroller's office [eXpendit](#) page explains that the type of documentation needed to support the legality and fiscal responsibility on a payment depends on the type of claim paid. Examples of required documentation include purchase orders (POs), requisitions, contracts, invoices, receipts and receiving reports.

In addition, standard business practices and internal controls for ensuring payments are valid require adequate separation of duties in the purchasing process and a comparison (three-way match) of:

- The ordering information (PO)
- Billed amounts (vendor invoice)
- Confirmation that all goods and services were received as expected (receiving report)

If an agency does not perform the confirmation, it risks receiving incomplete orders or items purchased for personal or non-agency use. Without complete documentation, auditors could not determine whether all goods and services purchased were received as expected/billed.



## Recommendation/Requirement

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The Commission must ensure staff does not make payments for goods or services without adequate supporting documentation to justify and validate each purchase. An employee independent from the purchasing process should confirm that goods and services were received as expected, and should retain the confirmation in agency records.

## Commission Response

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*The agency has clarified procedures to staff, which include providing the fiscal office copies of the any receiving reports for items delivered. The agency will also reinstitute the use of the agency's Receiving Report document, which will be completed and signed by non-purchasing staff. We will conduct training on this procedure by Oct. 1, 2023.*

## Incorrect Procurement Method Used

Auditors identified one purchase transaction where the Commission failed to select the correct procurement method for the purchase of office supplies. The purchase was made from a Texas Multiple Award Schedule (TXMAS) contract through TxSmartBuy even though there was a State Use Program contract for office supplies at the time of the purchase.

In addition, the purchase did not have the required exception to purchase the goods outside the State Use Program (WorkQuest formerly TIBH Industries) vendor. The Commission purchaser selected the supply contract from TXMAS without referring to the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination and seeing the priority given to the State Use Program over TXMAS.

The [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination notes that incorrect procurement methods do not provide the best value to the state, are likely to be more expensive and less efficient than the correct method, and in worst case, may result in a void contract that must be resolicited.

According to the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination, Texas law requires agencies to award contracts only to responsive vendors providing the best value to the state. The best value standard may vary depending on the procurement method, so public procurement personnel must ensure agencies use the appropriate best value standard as the basis for each contract award. The guide also describes the process for selecting the appropriate procurement method and provides details for the following resources:

- Texas Correctional Industries (TCI)
- State Use Program (WorkQuest)



- Statewide Procurement Division (SPD) term contracts
- SPD Texas Multiple Award (TXMAS) program contracts

Additionally, agencies are required to purchase goods and services from TCI or WorkQuest unless they meet exception requirements and obtain applicable waivers. See the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination.

## Recommendation/Requirement

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The Commission must ensure that the correct purchasing method as outlined in the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination is used. If WorkQuest offers a product or service but the Commission has a justified reason to source from a different vendor, it must obtain appropriate waivers or document the exception before the purchase and must document it in the procurement file.

In addition, the Commission must ensure its policies and training materials include instructions for using the correct purchasing method and maintaining necessary supporting documentation.

## Commission Response

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*The agency has updated its purchasing processes to ensure that waivers or documentation of exceptions are in place before purchasing from vendors other than WorkQuest, when appropriate. The agency will update its procedures and training materials to include instructions for using the correct purchasing method and maintaining necessary documentation, by Oct. 1, 2023.*

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

The Commission did not meet the solicitation advertisement or the notice of award posting requirements for one purchase transaction. The procurement file did not contain proof of posting on the ESBD for this purchase, which was a contract valued over \$25,000. The contract involved automated information services (staff augmentation) for which the Department of Information Resources (DIR) could not provide the needed expertise. The solicitation was sent to vendors on the Information Technology Staff Augmentation Contract (ITSAC) list, but not posted on ESBD. The agency received a DIR exemption for this purchase. The Commission asserted, and DIR agreed, that only one vendor had the necessary personnel experience with Commission systems. However, posting the solicitation on the ESBD is still required for all purchases, solicitations and/or notices of award where the contract is expected to exceed \$25,000. This is intended to increase the opportunity to obtain best value. This includes contracts exempt from





DIR's information technology (IT) contracts purchasing authority. Agencies must advertise a complete solicitation package for a minimum of 14 days, or 21 days if the solicitation package is too lengthy or complex to post in its entirety. See [State of Texas Procurement and Contract Management Guide](#) – Solicitation – Advertisement. If posted, documentation must be maintained in the procurement file.

## Recommendation/Requirement

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The Commission must ensure that any contract over \$25,000 is posted on the ESD for the proper duration and that staff maintains 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

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*The agency will post all contracts over \$25,000 on the ESD for the proper duration and will maintain documentation of the posting with the contract file. The agency will create a procurement checklist which will include this requirement and will provide appropriate training to staff by Oct. 1, 2023.*

## Missing Pre-Award Vendor Performance Tracking System (VPTS) Check

Auditors identified two purchase transactions where the Commission did not retain documentation proving staff conducted a VPTS review before awarding a contract. The Commission conducts these checks on over 90% of vendor payments through grants but did not conduct the checks on these two transactions. Incorporating the review of the vendor performance report before awarding a contract allows the Commission to identify vendors that have exceptional performance and meet all the contract obligations, while protecting the state from vendors with history of poor performance and/or unethical business practices. The Commission must consider all the information collected and evaluate it before awarding a contract. [Texas Government Code, Section 2262.055\(d\)](#) requires state agencies to use VPTS to determine whether to award a contract to a vendor reviewed in the tracking system. See also [State of Texas Procurement and Contract Management Guide](#) – Vendor Performance Tracking System Check.

## Recommendation/Requirement

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The Commission must ensure procurement staff use VPTS before determining whether to award a contract to a vendor. Staff must retain records of the VPTS review results dated prior to the contract award in the procurement file.



In addition, staff training programs and related documentation should include instructions on using and reporting to 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](#) – Appendix 9.

## Commission Response

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*The agency will check the Vendor Performance Tracking System (VPTS) before determining whether to award a contract to a vendor and will maintain documentation of the VPTS check with the procurement file. Staff will update the training materials to include the VPTS check requirement and will incorporate a procurement checklist to the purchasing procedures by Oct. 1, 2023.*

## Missing Vendor Compliance Verifications (VCVs)

The Commission was unable to provide documentation that it performed the VCVs for two of the purchase transactions in the sample. The Commission must provide a screen print to show it performed each verification. The Commission conducts these checks on over 90% of vendor payments through grants but did not conduct the checks on these two transactions. Without running these checks, the Commission risks awarding a contract or making a payment in violation of state or federal law.

## Debarment Check

The Commission did not search the [Debarred Vendor List](#) on two purchase transactions. The contract developer (purchaser) must check the [Debarred Vendor List](#) posted on the Comptroller's website to confirm the vendor has not been debarred by SPD. Under [Texas Government Code, Section 2155.077](#), an agency must not award a contract to a debarred vendor. SPD may bar a vendor from participating in state contracts for substandard performance, material misrepresentations, fraud, breach of contracts with the state, repeated unfavorable performance reviews under [Texas Government Code, Section 2155.089](#) or repeated unfavorable classifications under [Texas Government Code, Section 2262.055](#). If a vendor is barred, SPD determines the period of debarment.

## System for Award Management (SAM) Check

The Commission did not search the SAM database on two purchase transactions. The Commission must check the database to ensure the vendor is not excluded from grant or contract participation by federal executive order. 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 [Presidential Executive Order 13224](#).



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

The Commission did not check the Iran, Sudan, and foreign terrorist lists for two purchase transactions in the sample. Government entities 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 Iran, Sudan, and foreign terrorist organizations divestment lists before contract award to see if the potential awardee is in violation of this requirement. The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) webpage. If a business is in violation, the contract may not be awarded to that vendor.

## Recommendation/Requirement

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The Commission must update its policies and procedures to ensure it completes all the required VCVs before any purchase, contract award, extension, or renewal, and retains a dated copy of the results in the procurement file. In addition, the Commission needs to ensure that its employees are aware of VCVs required for all purchases. Guidance on which verification checks apply to any particular purchase can be found in the [State of Texas Procurement and Contract Management Guide](#).

## Commission Response

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*The agency will complete all required Vendor Compliance Verification checks before any purchase, contract award or extension, or renewal and will maintain dated documentation of the results with the procurement file. Staff will update the training materials and procurement checklist to include the Vendor Compliance Verification by Oct. 1, 2023.*

## Missing Statutory Authority for Purchase

Auditors identified one payment card transaction where the Commission purchased soda and bottled water with appropriated funds without having statutory authority to do so. According to the Commission, this transaction was for guest grant review panel evaluators, as part of providing for their travel and meal costs for their stay in Austin, which typically lasts 1-3 days. The Commission should have provided reimbursement for the costs as part of a consulting services contract rather than paying for the items up front.

The attorney general has said the Texas Constitution prohibits a state agency from purchasing food, coffee, cream, sugar and similar items with state-appropriated funds that employees or visitors would consume. See the Texas Attorney General Opinion No. C-557 (1965). According to [eXpendit – Responsibilities of State Agencies – Statutory Authority for Purchases](#), a state agency may purchase a good or service only if the agency has specific or implied statutory authority. 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. Other items in the purchase, such as office supplies, cleaning materials, cups and plastic utensils, are allowed.

## Recommendation/Requirement

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The Commission must update its policies and procedures to ensure it does not purchase goods or services with appropriated funds if it does not have statutory authority to do so.

## Commission Response

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*The agency will update its policies and procedures and training materials to ensure appropriated funds are not used to purchase any goods or services that the agency does not have the statutory authority to purchase.*

## Travel Transactions

Auditors developed a sample of 15 travel transactions totaling \$3,683.22, eleven non-employee travel transactions totaling \$960.09, and five travel card transactions totaling \$1,578.26 processed during the audit period to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Audit tests revealed the following exception for this group of transactions.

## State Travel Contract Not Used

Auditors identified one employee travel and two non-employee travel transactions for hotel stays where the travelers did not use the state travel contract. There were no valid exemptions noted on the travel vouchers/forms at the time they were processed. Contract travel services through the State Travel Management Program must be used unless an approved exception exists. The exception must appear on or be included with the travel voucher. See [34 Texas Administrative Code Sections 20.406](#) and [20.408](#). The Commission stated that when making hotel reservations, it checks availability through Hotel Engine first and makes the reservations through Hotel Engine whenever possible. For these transactions, the Commission stated it did not retain documentation of the search results in Hotel Engine nor document the reason for making reservations outside of Hotel Engine but will retain that documentation going forward.

## Recommendation/Requirement

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The Commission must follow State Travel Management Program rules and use state contracts for lodging and other travel expenses unless a valid exception exists and the reason for making reservations outside of Hotel Engine is documented on the travel voucher.





## Commission Response

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*It is the agency's practice to check availability through Hotel Engine before making any hotel reservations. However, in cases where a valid exception exists and reservations must be made outside of Hotel Engine, the agency will maintain documentation of the exception with the travel voucher.*

## Reimbursement of Travel for Other Persons

Auditors found one travel reimbursement where one person paid for and was reimbursed for another person's expenses. In this instance, the Commissioner paid for and was reimbursed for lodging. According to the Commission, it was not aware that this type of reimbursement was not allowed.

Employees, including board members, may only be reimbursed for travel expenses they personally incur. Under [34 Texas Administrative Code Section 5.22\(b\)\(4\)](#), "[a] state agency may not reimburse a state employee for a travel expense incurred by or on behalf of another state employee, unless: (1) the reimbursement is authorized by law; or (2) the travel expense is incurred while the paying state employee and other state employee(s) are traveling on official state business; the circumstances surrounding payment of the travel expense necessitate the reimbursement of the paying state employee, and the reimbursement of the paying state employee is approved by the state agency."

Agencies must ensure that all travel reimbursements are examined prior to payment to ensure compliance with all applicable regulation and limitations. See [Texttravel – Agency Responsibilities](#).

## Recommendation/Requirement

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Each employee or board member may only be reimbursed for his or her travel expenses under the criteria specified in [34 Texas Administrative Code Section 5.22\(b\)\(4\)](#). The Commission should closely monitor its travel reimbursement requests in order to ensure that its employees and board members only receive reimbursement for allowable travel expenses.

## Commission Response

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*The agency conducted a travel training on June 28, 2023. The training covered the travel reimbursement process and made clear that each employee may only submit travel reimbursement forms for their own agency approved and documented travel.*



## Missing Signature on Travel Voucher

Auditors identified four transactions in the travel sample and three travel transactions on a report of travel by non-employees where the traveler's signature was not on a fully-completed travel voucher. According to the Commission, when commissioners travel for meetings, the Commission obtains original signatures on their travel reimbursement forms. The receipts are generally not sent until after a commissioner returns home from their travel. Commissioners send in any remaining receipts via email and the total reimbursement amounts are confirmed via email. The Commission will make sure to have the commissioners send an electronic copy of the fully-completed, signed travel reimbursement form.

The travel voucher/form must be signed and dated on paper or electronically by the individual claiming reimbursement to be considered approved. A signature on a paper or electronic travel voucher is automatically revoked if new information is added or changed after it is signed, unless the addition or change is approved by the individual who signed the voucher. See [Texttravel – Documentation Requirements – Reimbursements to an Individual](#).

### Recommendation/Requirement

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The Commission must amend its policies and procedures to include the traveler signature on a fully-completed travel voucher to comply with documentation requirements defined in [Texttravel](#).

### Commission Response

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*The agency conducted a travel training for staff on June 28, 2023 and provided instruction about the required signatures. Fiscal Office staff monitors the collection of forms to ensure that the correct signatures are present on fully-completed forms. Additionally, the agency will amend the travel policy to include the requirement of the traveler signature on fully-completed travel vouchers, by Oct. 1 2023.*

## Grant Transactions

Auditors developed a sample of 10 grant transactions totaling \$1,840,707, then conducted a limited review of the Commission's transactions relating to grant payments. This review consisted of verifying that the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of the Commission's procedures for awarding the grants or monitoring payments made to grantees; therefore, auditors are not offering an opinion on those procedures. Audit tests revealed no exceptions for this group of transactions.



## Target Analysis

### Loss to the Rebate Payment Card Program

The Commission is not in compliance with the early payment discount/rebate requirements for state agencies and institutions of higher education because it failed to take advantage of early discounts/rebates offered by the payment card vendor. According to the Commission, it was not aware of the early payment discount/rebate program.

In a report generated outside of the payment card sample, auditors reviewed all Citibank (Citi) payments processed in USAS during the audit period as part of the payment card rebate program. Auditors identified late payments resulting in interest payments to the vendor and lost discounts/rebates to the state.

Citi Charge Card contract [946-M2](#) contains a rebate program based on the total annual expenditures of all participating entities. In addition to the rebate percentage, an early payment incentive increases for each day a payment is received in full before 30 days from Citi's statement/invoice date. Statements are issued on the third of every month and are available to the agencies the next day, the fourth. Both the prompt payment date and the discount rebate date start the day after the statement/invoice is available on Citi's website. Additionally, since charge-offs for delinquent accounts are deducted from the rebate as credit losses at the rebate-payable level, agencies should pay account balances as quickly as possible.

Citi currently pays a base rebate of 1.93 percent on payments received 30 days after the statement date, which increases by .75 basis points for each day a payment is processed before 30 days from the statement date. At 31 or more days from the statement date, no rebate is paid. Rebates accrue from the first dollar of spend on all card products including virtual card and ePayables (excluding individual bill).

The Commission did not take advantage of the discounts offered by Citi and paid the invoice an average of 39 days after the statement date. By not taking advantage of the rebates, agencies and institutions of higher education hinder the SPD's ability to negotiate rebates on future contracts.

According to [Texas Government Code, Section 2251.030](#), the Legislature expects government entities to take advantage of early payment discounts, so agencies should submit payment documents to the Comptroller's office in time to do so.

### Recommendation/Requirement

The Commission must update its payment processes to comply with prompt payment requirements and to take advantage of payment card rebates. The following should be considered:



- Receiving the Citi Commercial Card account statements online. Online account statements are available 48 hours from the statement date.
- Working with Citibank to develop automated reconciliation for travel and purchase receipts as transactions occur or shortly after each statement is issued.
- Making partial payments based on supporting documentation received and reconcile and pay as costs arise.

## Commission Response

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*The agency has updated its processes to make Citi Card payments promptly in CAPPS and to include the 10-digit centrally billed card number on the invoice lines, which helps ensure the payments are attributed to the correct Card account. Additionally, the agency will reach out to Citibank for assistance in developing an automated reconciliation for travel and purchase receipts, by Oct. 1, 2023.*

## 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. During our review of this report, auditors identified 16 USAS documents, which consists of 58 transactions totaling \$8,238.48 where payments processed incorrectly to the state's payment card vendor. 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 \(FPP A.043\)](#) 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. According to the Commission, it was not aware of this requirement, and it was including the last four digits in that invoice field.

## Recommendation/Requirement

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

## Commission Response

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*The agency has updated its processes for entering Citi Card payments into CAPPS to include the 10-digit centrally billed account number on the appropriate invoice lines. As a final step in CAPPS, the invoice number and description lines are verified before CAPPS approval.*





# 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 Commission on the Arts (Commission) payroll, purchase and travel transactions that processed through USAS and CAPPS from Sept. 1, 2021, through Aug. 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 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, 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**

*Eunice Miranda, CTCD, CTCM, Lead Auditor*

*Mayra Castillo, CTCD, CTCM*

*Scott Coombes, CTCD, CTCM, CISA, CISSP, CRISC*



## 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.