



An Audit of the Texas Optometry Board

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas Optometry Board (Board):

- 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 Optometry Board is to promote, preserve, and protect the health, safety and welfare needs of the people of Texas by fostering the providing of optometric care through the regulation of the practice of optometry.

Texas Optometry Board website
<https://tob.texas.gov/>

Audit Results

The Board complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements in the areas of fixed asset management and refund of revenue transactions. However, the Board should consider making improvements to its procurement, payroll and travel processes.

Auditors did not reissue any findings from the previous audit, which was issued in November 2015. 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?	Untimely approval of salary action.	Compliant, Findings Issued
Purchase/Procurement Transactions	Did purchase/procurement transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Missing vendor compliance verifications.• Failure to report to the Vendor Performance Tracking System.• Missing documentation.• Purchase Order (PO) created after invoice.• Incorrect procurement method.• Payment scheduling and prompt payment errors.	Noncompliant
Travel Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• State travel card not used for airfare.• Lack of conservation of state funds.• Lodging expense not payable.• Missing documentation of advance approval for out-of-state travel.	Compliant, Findings Issued
Refund of Revenue	Did refund of revenue 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
Targeted Analysis	Did transactions from the targeted analysis comply with the GAA, pertinent statutes and Comptroller requirements?	Incomplete Direct Deposit Authorization Form.	Compliant, Findings Issued



Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations are listed below. The Board must:

- Review its payroll and human resource (HR) processes to ensure management approves personnel actions timely, and to ensure approvals are documented.
- Conduct all vendor compliance verifications before any purchase, contract award, extension, or renewal, and must document the results.
- Submit vendor performance reports on time to the Vendor Performance Tracking System (VPTS).
- Ensure each purchase and its corresponding payment has sufficient supporting documentation created and maintained for audit review.
- Ensure it does not make any payments before sufficient supporting documentation is created to justify the purchase.
- Use the correct purchasing method. If the Board has a justified reason to source from a different vendor, it must obtain appropriate waivers or document the exceptions before purchase.
- Comply with the payment scheduling and prompt payment rules by scheduling all payments over \$5,000 for the latest possible distribution and submitting payment information for processing and release payments in a timely manner to avoid incurring interest. The Board must enter accurate due dates so that, if late payment interest is due, it is paid correctly to vendors.
- Develop travel policies and procedures to ensure all future airfare is charged to the state-issued travel credit card.
- Develop travel policies and procedures to ensure it conserves state funds expended for travel.
- Develop policies and procedures and provide training to its employees and travel coordinators to ensure each traveler is only reimbursed for allowable travel expenses under the criteria specified in [34 Texas Administrative Code Section 5.22\(b\)\(3\)](#).
- Follow TexTravel consistently and develop its own policies on advance approval for out-of-state travel and retain written documentation of approval.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$50,772.06 from a group of eight employees involving 20 payroll transactions to ensure the Board 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.

Untimely Approval of Salary Action

In one base salary payment transaction, the salary amount was the result of a merit pay rate increase. According to the personnel action form documenting this change, the effective date of the pay rate increase was Sept. 1, 2018. However, the personnel action form was not signed until Feb. 14, 2019.

This same employee also received a one-time merit payment. According to the personnel action form documenting this merit, the effective date of the one-time merit was Aug. 1, 2021. However, the personnel action form was not signed until Sept. 1, 2021. Furthermore, the performance evaluation that supports this one-time merit was not signed until Aug. 4, 2021.

The Board stated these issues were administrative oversights. The executive director overlooked the signature field, so the forms were not signed until they were being filed and the missing signatures/dates were noticed.

According to Texas Payroll/Personnel Resource: General Provisions – Required Documentation – [Personnel Action Form](#), the personnel action form that documents an action concerning a state employee must contain the original signature of an employee authorized by the employing state agency to approve personnel action forms for the agency and the date of the signature. A signature dated one or more months after the personnel action already took effect would suggest that pay rates were changed without the agency director’s approval.

Recommendation/Requirement

The Board must review its payroll and HR processes to ensure personnel actions are approved by management timely and that approvals are documented before the change takes effect.

Board Response

Executive Director will ensure no personnel actions are completed without ensuring proper documentation is completed prior to the payroll/HR action is completed in CAPPS HR.



For personnel actions that took effect at close of FY23, Executive Director ensured performance evaluation was reviewed with staff on or before effective date. Additionally, appropriate personnel action forms were signed prior to date personnel actions were taken in CAPPs HR.

Purchase/Procurement Transactions

Auditors developed a sample of 15 purchase transactions totaling \$38,153.45 to ensure the Board complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing Vendor Compliance Verifications

The Board was unable to provide proof it conducted vendor compliance verifications (VCVs) for seven purchase transactions. The Board mistakenly believed the debarment check was being performed by its accounting system at voucher creation. The Board also indicated its current staff cannot speak to why other VCVs were not documented. However, the Board was in transition with the prior accountant leaving and using another agency for accounting services while in the hiring process.

Debarred Vendor List Not Verified

Auditors identified seven purchase transactions where the Board did not verify whether the vendor was on the [Debarred Vendor List](#) before procuring the goods or services. A state agency may not award a contract to a debarred vendor. See [Texas Government Code, Section 2155.077](#) and [State of Texas Procurement and Contracts Management Guide](#) – Vendor Compliance Verifications.

Missing System for Award Management and Office of Foreign Assets Control Checks

Auditors noted four purchase transactions where the Board was unable to provide proof it conducted the System for Award Management (SAM) checks. State agencies 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 named on the U.S. Treasury Board, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions noted in the order). See [Presidential Executive Order 13224](#) and [State of Texas Procurement and Contracts Management Guide](#) – Vendor Compliance Verifications.

Iran, Sudan, and Foreign Terrorist List Organization Checks

The Board was unable to provide proof/supporting documentation that it performed the Iran, Sudan, and foreign terrorist organization check list before making seven purchase transactions. 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 contract award to determine if the potential awardee is in violation of this requirement. See [Texas Government Code, Sections 2252.153](#) and [2270.0201](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) webpage. If the business is in violation, the contract may not be awarded to that vendor. See [State of Texas Procurement and Contracts Management Guide](#) – Vendor Compliance Verifications.

Boycott Israel Check

The Board was unable to provide proof/supporting documentation that it performed the boycott Israel check before making seven purchase transactions. Agencies may not contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not boycott Israel during the term of the contract. See [Texas Government Code, Section 2271.002](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) webpage. See [Texas Government Code, Section 808.051](#). If the potential awardee is on the list, the contract may not be awarded to that vendor. See [State of Texas Procurement and Contracts Management Guide](#) – Vendor Compliance Verifications

Recommendation/Requirement

The Board must conduct all required VCVs before any purchase, contract award, extension, or renewal, and it must retain results from the specified website in the procurement file as evidence.

Board Response

Beginning in FY24, staff will check the divestment lists on the Comptroller's webpage prior to each purchase. Print outs of those reports are maintained in the purchase/contract file.

Failure to Report to the Vendor Performance Tracking System

Auditors identified one purchase where the Board failed to make a required submission to the Vendor Performance Tracking System (VPTS). According to the [State of Texas Procurement and Contract Management Guide](#), a contractor's performance must be reported to VPTS once a contract with a value greater than \$25,000 is completed or otherwise terminated.

The Board stated its current staff cannot speak as to why previous staff failed to report to VPTS. Auditors noted the Board has complied with this requirement for fiscal 2023 contracts.



Reporting to VPTS identifies suppliers demonstrating exceptional performance, aids purchasers in making a best-value determination based on vendor past performance and protects the state from vendors with unethical business practices. Reporting also identifies vendors with repeated delivery and performance issues, provides performance scores in four measurable categories for Centralized Master Bidders List (CMBL) vendors and tracks vendor performance for delegated and exempt purchases.

The Statewide Procurement Division (SPD) administers VPTS for use by all state agencies. VPTS provides agencies with a comprehensive tool to evaluate vendor performance and reduce risk in the contract awarding process. SPD relies on state agency participation to gather information on vendor performance. Ordering agencies are also encouraged to report vendor performance for purchases under \$25,000. See [Texas Government Code, Sections 2155.089](#) and [2262.055](#).

Recommendation/Requirement

The Board must revise its policies and procedures to ensure that vendor performance reports are submitted on time to VPTS.

Board Response

Starting in FY24, the Executive Director will submit a vendor performance report to the Comptroller's Office as required by the Statewide Procurement Division (SPD)

Vendor Performance Report Entry Procedures. As the agency only has one contract that exceeds the threshold (and only expects to have this one contract in the future as long as the agency is required to provide the service under the GAA), this requirement is noted on the Executive Director's list of reports due to be updated as necessary.

Missing Documentation

Auditors identified 15 purchase documents lacking sufficient documentation to support the legality and fiscal responsibility of the purchase. Some of these 15 documents lacked evidence of authorization and approval for the purchase of goods, while others were missing evidence of whether services were properly rendered and supported the expenses. Specifically, the errors were:

- Missing purchase order approval (11 instances)
- Missing purchase receiving documentation (3 instances)
- Missing invoice (1 instance)

The Board was able to locate the purchase order (PO) inquiry screen from the Centralized Accounting and Payroll/Personnel System (CAPPS) financials, showing that POs have approved status. The Board stated it is a very small agency, with fewer than 7 employees, and most purchase approvals were done either verbally



or via email with the accountant and not in system. Also, according to the Board, for one of the three purchases missing receiving documentation, the vendor does not provide receiving documentation; however, the Board was unable to affirm that receiving documentation was received when products from the other two vendors were delivered or that the Board has a process to document receipt of the goods and services when the vendor(s) do not send receiving documentation. For the missing invoice, the Board noted that it used the sales order as the invoice from which it made payment, as no invoice was provided by the other state agency the Board relied on for information technology (IT) services.

Without proper documentation, auditors could not determine whether the information entered in the Uniform Statewide Accounting System (USAS) was an accurate reflection of the intended purchases made or had the proper approvals. State agencies must maintain documentation to substantiate that payments are valid and to ensure a proper audit trail. According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), each state agency, its officers and employees must ensure that for each purchase document, the agency maintains necessary documentation to prove that each payment resulting from the document is legal, proper, and fiscally responsible. Agencies must make supporting documentation available to the Comptroller's office in the manner required. The types of supporting documentation that the Comptroller's office may require include quotes, POs, requisitions, contracts, bills of lading, price lists, invoices, and receipts. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

Recommendation/Requirement

The Board must review and update its purchase policies, processes and procedures to ensure each purchase and the corresponding payment has sufficient supporting documentation created and maintained for audit review.

Board Response

Prior to a purchase, the agency will ensure it is in compliance with state law regarding purchases by taking the following actions:

- 1. Accountant creates purchase order as required. Approved by Executive Assistant*
- 2. Check VCV and note on PO that review has been done*
- 3. Ensure product is delivered and receipt of delivery maintained (or noted in file if no delivery receipt available)*
- 4. Pay invoice according to payment scheduling requirements*
- 5. File required documentation*



Purchase Order Created After Invoice

Auditors identified three purchase transactions that occurred prior to the completion of a PO. The Board's procedures require staff to create a PO before obtaining goods and services. The PO is prepared by the purchaser/executive assistant and is reviewed and approved by the executive director.

Without a PO, it is difficult for the Board to ensure it was not overcharged or billed for goods or services beyond those it agreed to purchase. Without proper documentation, auditors could not determine if the information entered in USAS accurately reflected the purchases.

The Board stated it was in transition with the long-time accountant leaving and using another state agency for accounting services. Additionally, staff was still working mostly remotely following the pandemic and documentation may not have been included in purchasing files.

The Board must maintain proper documentation to verify that payments are valid and to ensure a proper audit trail. According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), an agency must maintain the necessary documentation for each purchase to prove the payment is legal, proper and fiscally responsible.

Agencies must make supporting documentation available to the Comptroller's office in the manner required. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#). The documentation must be maintained until at least the end of the second appropriation year after the appropriation year the transaction was processed in USAS. See [34 Texas Administration Code Section 5.51\(e\)\(5\)\(A\)](#).

Recommendation/Requirement

The Board must ensure it does not make any payments without sufficient supporting documentation to show the purchase was valid. It must also maintain supporting documentation for audit review.

Board Response

Prior to a purchase, the agency will ensure it is in compliance with state law regarding purchases by taking the following actions:

- 1. Accountant creates purchase order as required. Approved by Executive Assistant*
- 2. Check VCV and note on PO that review has been done*
- 3. Ensure product is delivered and receipt of delivery maintained (or noted in file if no delivery receipt available)*
- 4. Pay invoice according to payment scheduling requirements*
- 5. File required documentation*



Incorrect Procurement Method

Auditors identified two purchases where the Board failed to select the correct procurement method when procuring services or equipment. The Board was unable to provide documentation showing the correct procurement method was used when purchasing office furnishing and equipment; specifically, no documentation was provided to justify not using the State Use Program or a statewide contract for the purchase of a lateral file. In the other instance, the Board was unable to provide documentation showing the correct procurement method was used when purchasing software; specifically, no documentation was provided to justify not using a Department of Information Resources (DIR) contract, such as written justification or a waiver.

The Board responded there was a procurement dependency on other agencies for the proper knowledge of rules and state laws governing procurement requirements in addition to some staff turnover.

Recommendation/Requirement

The Board must use the correct purchasing method as outlined in the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination. If the Board has a justified reason not to use State Use Program or statewide contracts and to source from a different vendor, it must obtain appropriate waivers or document the exceptions before purchase.

Board Response

The agency routinely uses Texas SmartBuy for non-IT goods and services.

For IT goods and services, the agency relies on its MOU with the Health Professions Council (HPC) to solicit bids and services. For FY24, the agency is again relying on HPC to bring it the best value for IT goods and services based on HPC's skills and abilities, including using vendors not on the DIR approved vendor list. However, for FY25, the Executive Director will require HPC to offer solutions that include DIR approved vendors in order to make the best possible decision prior to making the purchase.

Payment Scheduling and Prompt Payment Errors

In the sample, auditors identified two purchase transactions with payment scheduling and prompt payment issues, one paid 22 days early and the other paid 26 days late. The Board did not make any late interest payment arrangements with the vendor.

According to the Board, it was unaware that processing payments early was not a recommended practice and pays when it gets the invoice. On the late payment, the Board stated that it used the sales order as no invoice was received, so payment was made based on the sales order.



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

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

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#), [eXpendit - Prompt Payment](#), and [eXpendit - Payment Scheduling](#).

Recommendation/Requirement

The Board must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest. In addition, the Board must enter accurate due dates so that, if interest is due, it is paid correctly to vendors. To minimize the loss of earned interest to the state treasury, the Board must schedule all payments over \$5,000 for the latest possible distribution in accordance with its purchasing agreements.

Board Response

Prior to a purchase, the agency will ensure it is in compliance with state law regarding purchases by taking the following actions:

1. *Accountant creates purchase order as required. Approved by Executive Assistant*
2. *Check VCV and note on PO that review has been done*
3. *Ensure product is delivered and receipt of delivery method maintained (or noted in file if no delivery receipt available)*
4. *Pay invoice according to payment scheduling requirements*

Travel Transactions

Auditors developed a sample of eight travel transactions totaling \$3,620.57 to ensure the Board complied with the GAA, [TexTravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.

In addition, auditors also developed a sample of two travel transactions that were paid via payroll, totaling \$240.00. Audit tests revealed no exceptions for this group of transactions.



State Travel Card Not Used for Airfare

Auditors identified two travel transactions where the employees did not use a contracted state travel agency or an agency travel card for airfare. The employees used a personal credit card and requested reimbursement. According to the Board, it did not have a policy in place to require use of the state travel card at the time but is currently working with the credit card vendor to activate its travel card.

Contract travel services 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 Section 20.408](#). In addition, travel services for airfare must be charged to state travel credit cards. See [34 Texas Administrative Code Section 20.413](#).

Recommendation/Requirement

The Board must develop travel policies and procedures to ensure all future airfare is charged to the state-issued travel credit card and ensure the state-contracted travel vendors are used unless an exception is noted.

Board Response

Agency has procured a state credit card as of August 2023 and the Board has adopted travel policies to require use of contracted vendors on Nov. 3, 2023.

Lack of Conservation of State Funds

Auditors identified two travel transactions where the Board failed to conserve state funds by ensuring each travel arrangement was the most cost-effective considering all relevant circumstances. Specifically, for one transaction, the traveler used a personal vehicle and did not include a cost comparison between a personal vehicle and a rental. According to the auditors' calculation using the [Rental Vehicle vs. Mileage Reimbursement Calculator](#) on FMX Travel, a rental vehicle would have been cheaper. The Board stated the travel occurred during the pandemic and is unsure whether the traveler completed a cost comparison. For the second transaction, the Board reimbursed the traveler for valet parking, but the travel file did not include a reason for the use of valet parking. According to the Board, it is unsure why the traveler chose valet parking over self-park.

According to [Texas Government Code, Section 660.007](#), and [TexTravel – Conservation of State Funds](#), a state agency must minimize the amount of travel expenses reimbursed by ensuring that each travel arrangement is the most cost-effective considering all relevant circumstances. A cost comparison should be done to document the estimated cost of each option, and generally the lowest-cost option will be the most cost-effective. If the most cost-effective method is not selected, then the traveler should document the reason for choosing that method.



Recommendation/Requirement

The Board must develop travel policies and procedures to ensure travel transactions comply with the GAA, Textravel (FPP G.005) and pertinent statutes and must improve its effort to conserve state funds expended for travel. Specifically, the Board must provide training to its employees and travel coordinators to ensure that a cost comparison between different travel arrangements and methods of transportation is always performed and documented in the travel file, and that the lowest cost arrangement is used when there is no justification for an exception. The analysis can be completed and documented using the Rental Vehicle vs. Mileage Reimbursement Calculator or some other method the traveler/agency may choose to use.

Board Response

Board adopted Travel Policy at its Nov. 3, 2023 Board meeting.

The policy requires all travel arrangements and reimbursements to comply with the Travel Regulations Act, Comptroller rules, the GAA and the travel reimbursement guidelines promulgated by agency staff.

The policy is designed to ensure the Board minimizes travel expenses paid or reimbursed by the agency and travel arrangements are the most cost effective considering all relevant circumstances.

Lodging Expense Not Payable

Auditors identified one instance where the Board reimbursed a board member for lodging expenses incurred two days prior to the board meeting. The board member arrived two days prior to the scheduled meeting but did not document a business purpose for the early arrival and extra stay in the travel file.

A state agency may not reimburse a state employee for any costs or expenses in excess of those incurred for official travel. See [34 Texas Administrative Code Section 5.22\(b\)\(3\)](#) and (d)(3). If business-related purposes arise that require the traveler to arrive early to the travel destination, it should be documented and supported in the travel file. According to the Board, it was unsure why the board member traveled to Austin early.

Recommendation/Requirement

The Board should develop policies and procedures and provide training to its employees and travel coordinators to ensure each traveler is only reimbursed for his or her travel expenses under the criteria specified in 34 Texas Administrative Code Section 5.22(b)(3). The Board should closely monitor its travel reimbursement requests in order to ensure that its employees and board members only receive reimbursement for allowable travel expenses.



Board Response

Board adopted Travel Policy at its Nov. 3, 2023 Board meeting.

The policy requires all travel arrangements and reimbursements to comply with the Travel Regulations Act, Comptroller rules, the GAA and the travel reimbursement guidelines promulgated by agency staff.

The policy is designed to ensure the Board minimizes travel expenses paid or reimbursed by the agency and travel arrangements are the most cost effective considering all relevant circumstances.

Missing Documentation of Advance Approval for Out-of-State Travel

Auditors identified one instance where the Board did not maintain documentation of the advanced approval for out-of-state travel. According to [Texas Government Code, Section 660.003\(e\)\(4\)](#), and [TexTravel - Miscellaneous Provisions - Out-of-state travel](#), a state agency may only pay for business-related travel expenses incurred outside of Texas if the travel was approved in advance in accordance with agency policy.

According to the Board, the current executive director cannot speak to the approval process for out-of-state travel from fiscal 2022 but did confirm with the Board Chair that the travel was verbally approved in advance.

Recommendation/Requirement

The Board must consistently follow TexTravel and develop its own policies to ensure that all instances of out-of-state travel have written documentation of advanced approval by the responsible personnel and that the documentation is retained in the travel file.

Board Response

Board adopted travel policy at its Nov. 3, 2023 meeting.

The policy allows for Board members to attend annual meetings of regulatory associations, but is limited to only one member per meeting. Travel expenses are approved by the Board Chair.

Additionally, the Executive Director will add out-of-state travel to any Board agenda for discussion prior to the travel taking place. If the travel must occur before it can be noted at a Board meeting, the Executive Director will ensure the Presiding Officer approves the travel in writing.

Fixed Assets

The audit included a review of a limited number of fixed assets reported by the Board on its physical inventory detail report to verify the existence of assets. Audit tests revealed no exceptions in these transactions.



Refund of Revenue Transactions

Auditors developed a sample of three refund of revenue transactions totaling \$186.40 to ensure the Board complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Targeted Analysis

The audit included targeted analyses outside the main samples of payroll, purchase and travel transactions. Using Comptroller statewide financial systems and Citibank CitiManager Reporting System (CCRS) auditors generated several special reports to analyze additional processes. Such processes may include interagency transfers, refunds to payroll, proper coding of payment card transactions, and others. Audit tests revealed the following exception in the Board's targeted analysis reports.

Incomplete Direct Deposit Authorization Form

Auditors conducted a review of the Board's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

Of the two forms reviewed, one did not have the International Payments Verification section completed. Without a properly completed form on file, the Board is unable to determine whether state funds were forwarded to a financial institution outside the United States.

International Automated Clearing House transactions (IATs) are payments destined for a financial institution outside of the United States. Because of federal requirements mandated by the Office of Foreign Assets Control (OFAC), the National Automated Clearing House Association (NACHA) has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid federal penalties, each state agency must:

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

The Comptroller's office does not participate in IATs. If a payee informs an agency a payment is destined for a financial institution outside of the United States, then the agency may not set up that payee for direct deposit.

The Board stated the incomplete form belonged to a full-time remote employee; the error was an oversight on her part in completing the form and on the part of staff reviewing the document.



Recommendation/Requirement

The Board must ensure all payees who request payment by direct deposit provide the appropriate, signed, direct deposit authorization form with the IAT-related questions answered. A direct deposit authorization form should not be processed if the IAT section is left blank or if the form is unsigned or missing.

Board Response

Upon receipt of direct deposit form, Executive Assistant will ensure employee has completely filled out the form prior to entering the new information into CAPPs.



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 Board's payroll, purchase and travel transactions that processed through USAS and USPS from Sept. 1, 2021, through Aug. 31, 2022, to determine compliance with applicable state laws.

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