



# An Audit of the State Board of Veterinary Medical Examiners

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**Glenn Hegar**  
Texas Comptroller of Public Accounts



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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether the State Board of Veterinary Medical Examiners (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 Board operates under the authority of Chapter 801, Texas Occupations Code. The Veterinary Licensing Act, along with the Board, was created in 1911. The purpose of the Board is to protect the public by ensuring persons entering the profession meet minimum academic and examination requirements. The Board also establishes and enforces policies to ensure the best possible quality of veterinary services for the citizens of Texas. The Board may adopt and amend rules of professional conduct as appropriate to establish and maintain a high standard of integrity, skill, and practice in the profession of veterinary medicine. The Board also administers examinations to qualified applicants and successful completion is a prerequisite to issuance of any license.

**State Board of Veterinary Medical Examiners website**

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

## Audit Results

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

As of Sept. 1, 2023, the Board has been attached temporarily to the Texas Department of Licensing and Regulation (Department) to provide an additional level of oversight and transparency. Accordingly, the Department will receive a copy of this audit report.

The auditors reissued three findings from the previous audit related to missing prior state service verification (missing payroll documentation), incorrect direct deposit form, and missing invoices. Auditors originally issued these findings in June 2017. An overview of audit results is presented in the following table.



## Table Summary

Area	Audit Question	Results	Rating
<a href="#">Payroll Transactions</a>	Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Incorrect state effective service date and incorrect longevity payments.</li> <li>➡ Missing payroll documentation.</li> <li>• Overpayment of salary amount.</li> </ul>	Compliant, Findings Issued
<a href="#">Purchase and Payment Card Transactions</a>	Did purchase, payment card, and contract transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Missing purchase order/internal process not followed.</li> <li>➡ Missing invoice.</li> <li>• Missing training verification documentation.</li> <li>• Missing receiving documentation.</li> <li>• Incorrect procurement method used.</li> <li>• Missing centralized master bidders list.</li> <li>• Missing Electronic State Business Daily (ESBD) solicitation/ESBD notice of award postings.</li> <li>• Missing competitive bid documentation.</li> <li>• Missing vendor compliance verifications.</li> <li>• Missing pre-award Vendor Performance Tracking System (VPTS) check/failure to report to VPTS.</li> <li>• Failure to report contracting information in the Centralized Accounting Payroll and Personnel System.</li> <li>• Failure to report to the Legislative Budget Board.</li> <li>• Prompt payment – late payments.</li> <li>• Missing annual procurement plan.</li> <li>• Improper payment of state sales tax.</li> </ul>	Noncompliant
<a href="#">In and Out of Town Travel and Travel Card Transactions</a>	Did travel, Uniform Statewide Payroll/Personnel System travel, and travel card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	Missing statutory authority/lack of conservation of state funds/missing documentation.	Compliant, Findings Issued

Repeat Finding



Area	Audit Question	Results	Rating
Refund of Revenue	Did refund of revenue transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
<a href="#">Target Analysis/ Ad Hoc Reports</a>	Did the Board comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"><li>• Loss to the payment card rebate program.</li><li>• Confidential Treatment of Information form signed after connect date.</li><li>• Duplicate payments.</li><li>🔄 Incorrect Direct Deposit Authorization form.</li></ul>	Compliant, Findings Issued

Repeat Finding

## Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include the following. The Board must:

- Ensure prior state service records are accurate in order to detect and prevent incorrect compensation for longevity payments.
- Ensure it retains documents in the employee human resource files as required by the state retention schedule.
- Enhance its internal controls to prevent incorrect salary payments.
- Maintain the required documentation to support the legality and fiscal responsibility of a payment, ensure supporting documentation is available for audit review, and follow its internal policies and procedures.
- Ensure an employee who is independent from the purchasing process confirms that goods and services were received as expected and retains the confirmation in agency records.
- Ensure the correct purchasing method is used as outlined in the [State of Texas Procurement and Contract Management Guide](#).
- Use the Centralized Master Bidders List (CMBL) for all purchases, including services, for which competitive bidding or competitive sealed proposals are required.
- Ensure any contract over \$25,000 is posted on the Electronic State Business Daily (ESBD) for the proper duration and ensure staff maintains posting documentation in the contract file.



- Maintain solicitation documentation and bid tabulations to verify that competitive bidding processes were utilized. Procurements for goods and services must be accomplished through competitive bidding whenever possible.
- Update its policies and procedures to ensure it completes all the required vendor compliance verifications (VCVs) before any purchase, contract award, extension, or renewal, and retains a dated copy of the results in the procurement file.
- Ensure procurement staff uses the Vendor Performance Tracking System (VPTS) before determining whether to award a contract to a vendor and ensure the vendor's performance is assessed and reported to VPTS per reporting requirements.
- Post contract information to the Centralized Accounting and Payroll/Personnel System (CAPPS) to fulfill the Legislature's enterprise resource planning requirements.
- Report all applicable contracts and purchases to the Legislative Budget Board (LBB).
- Ensure it schedules payments for processing in compliance with state law. Verify proper due dates are entered to ensure that payments are paid correctly to vendors.
- Ensure it submits a procurement plan to the Comptroller's office yearly.
- Ensure sales taxes are not paid.
- Re-evaluate its internal travel policy in consultation with its legal staff and update the policy to ensure it complies with all the applicable requirements in [Texas Government Code, Chapter 660](#).
- Develop procedures for travelers to complete cost comparisons prior to travel and subject to approval in order to safeguard state resources.
- Change its payment card processes to comply with requirements, take advantage of rebates, and avoid the double penalty of lost rebates and late payment interest.
- Enhance its procedures to ensure no user gains access to any of the statewide financial systems before completing a Confidential Treatment of Information Acknowledgment (CTIA) form.
- Enhance its procedures to identify potential duplicate payments to avoid processing duplicate payments/refunds to vendors/licenses.
- 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 Transactions

Auditors developed a sample totaling \$198,108.71 from a group of 15 employees involving 76 payroll transactions to ensure the Board complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#), and pertinent statutes. Audit tests revealed some exceptions in this group of transactions.

The Board stated the root causes for the exceptions noted are unknown. All staff involved in the onboarding of the employees noted are no longer with the agency. Current staff has received extensive training and has additional oversight from executive staff and the Board.

## Incorrect State Effective Service Date and Incorrect Longevity Payments

Auditors identified two employees in the payroll sample with incorrect state effective service dates in CAPPs. The employees noted the prior state employment on their job application, but the prior employment periods were not entered in CAPPs; therefore, they did not receive the state service credit. The incorrect dates resulted in longevity underpayments for both employees.

Prior state service documentation is necessary to verify effective state service dates and the accuracy of longevity payments. The Board's payroll policies and procedures include verifying prior state service when an employee lists it on the job application and/or the internal form.

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

## Recommendation/Requirement

The Board must review its controls and internal operating procedures to ensure prior state service records are accurate, and to detect and prevent incorrect compensation. The Board must continue to review each employee's job application and any internal prior state service forms to confirm they are properly recorded in the accounting and payroll system. This step ensures longevity pay increases and leave accruals occur at the correct times. In addition, the Board must compensate the underpaid employees for any unpaid longevity payments. Also see [34 Texas Administrative Code Section 5.40\(c\)](#) concerning underpayments.





## Board Response

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*The Board will continue to review each employee's job application and any internal prior state service forms to confirm proper recording in the accounting and payroll system. The Board will also continue to review its controls and internal operating procedures to ensure prior state service records are accurate and to prevent incorrect compensation. The Board will compensate underpaid employees for any unpaid longevity payments.*

## Missing Payroll Documentation

During the payroll review, auditors identified two salary actions and a longevity transaction that were missing the required documentation. For the first two employees, the payroll files were missing the documentation to support the effective date used for a new hire and for a termination action. For the last employee, a prior state service verification form was missing from the payroll file.

The Comptroller's office requires an agency to provide documentation supporting the legality, propriety and fiscal responsibility of each payment that results from a payroll document if the payment is made from the agency's funds. See [Texas Payroll/Personnel Resource – General Provisions – Required Documentation](#).

## Recommendation/Requirement

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The Board must ensure it retains documents in the employee human resource files as required by the state retention schedule.

## Board Response

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*The Board has instituted multiple levels of checks and balances in regard to human resource files. The Board adheres to protocols to ensure that employees files are protected and kept up to date.*

## Overpayment of Salary Amount

In a report generated outside of the sample, auditors identified one employee with incorrect salary payments resulting in an overpayment.

The employee was a part-time hourly worker who was subsequently promoted to a salaried position in September 2022. The Board paid the employee for 187.20 work hours in September 2022, in a month that only had 176 work hours, resulting in a \$652.61 overpayment. In January and February 2023, the Board reduced the employee's salary a combined total of \$550.40 which left an outstanding overpayment of \$102.21. See [Texas Payroll/Personnel Resource – General Provisions – Overpayments](#) and [34 Texas Administrative Code Section 5.40\(b\)](#).



For partial pay calculations, an employee's hourly rate of pay for a particular month is equal to the employee's salary divided by the number of work hours in that full month to find the employee's hourly rate of pay. Multiply the hourly rate by the number of hours worked in the month. See [Texas Payroll/Personnel Resource – General Provisions – Partial Payment Calculations](#).

## Recommendation/Requirement

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The Board must enhance its internal controls to prevent incorrect salary payments. The Board must determine the correct hourly rate and correct number of hours to pay when an employee's salary is adjusted on a day other than the first of a month. The Board should attempt to recover the additional amount of overpayment in accordance with [Texas Government Code, Chapter 666](#). If the Board determines it is not cost effective to do so, it should consider reporting the state debt, see [Reporting of State Debts and Hold Offset Procedures \(APS 028\)](#) policy guidelines for handling the debt to the state.

## Board Response

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*The Board has enhanced its internal controls to prevent any future incorrect salary payments. The Board also no longer has any hourly paid employees on staff. The Board now uses CAPPs for its payroll functions, which will also help prevent this issue from reoccurring in the future. The Board will attempt to recover the additional amount of overpayment.*

## Purchase/Payment Card Transactions

Auditors developed a sample of 25 purchase transactions totaling \$50,780.79 and ten payment card transactions totaling \$5,106.78 to ensure the Board complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

The Board was not able to provide root causes for the exceptions noted. The Board stated that all staff involved in finance and purchasing, including executive level staff, left the agency in fiscal 2022. Current staff has received extensive training and has additional oversight from executive staff and the Board.

## Missing Purchase Order/Internal Process Not Followed

Auditors identified five purchase transactions where the Board failed to provide an approved purchase order (PO). The Board's procedures require PO approval prior to obtaining goods and services.

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 the Uniform Statewide Accounting System (USAS) accurately reflected the purchases. The Board must maintain proper documentation to verify 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 Administrative Code Section 5.51\(e\)\(5\)\(A\)](#).

In addition, auditors identified 22 purchase transactions where staff did not follow the pre-approval process in accordance with the Board's General Manual – September 2018. The Board's procedures require the creation of a purchase request/requisition form. Completed purchase request/requisition forms are presented to a supervisor for approval. After approval, the request is forwarded to the purchaser for assignment of a purchase order number and processing. The executive director approves all purchase vouchers. The operations director, general counsel, or chief financial officer may approve purchase vouchers depending on the type of purchase according to the Board's Nov. 30, 2019, procurement plan.

## Recommendation/Requirement

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The Board must maintain the required documentation to support the legality and fiscal responsibility of a payment and follow its internal policy and procedures. See [eXpendit – General Provisions – Responsibilities of State Agencies](#).

## Board Response

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*The Board has maintained the required documentation to support the legality and fiscal responsibility of payments. The Board also continues to follow its internal policies and procedures to ensure compliance with state requirements.*

## Missing Invoice

Auditors identified seven purchase transactions totaling \$3,954.63 and 11 payment card transactions totaling \$6,231.99 where the Board was unable to locate the invoice needed to support the payment. For one of the seven purchase transactions, a membership dues payment, the Board was unable to determine the name of the employee for whom the dues were paid. The 11 payment card transactions, included purchases of a server, email marketing system, virtual telephone system, a state bar class, membership fees, and purchases of other services and goods.

Without documentation, auditors could not determine whether the information entered in USAS was an accurate reflection of the intended purchases. The Board must maintain proper documentation to verify payments are valid and to ensure a proper audit trail.



According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), each agency, its officer, and employees must ensure that for each purchase document, the agency maintains necessary documentation to prove 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 the Comptroller's office may require include POs, requisitions, contracts, invoices, and receipts. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

### Recommendation/Requirement

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The Board must ensure no payment is made without sufficient supporting documentation and must ensure it creates and maintains supporting documentation for audit review.

### Board Response

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*The Board continues to ensure that no payment is made without supporting documentation. The Board maintains its accounting files electronically and on paper to ensure documentation is available for review at any time.*

### Missing Training Verification Documentation

Auditors noted two purchase transactions missing the documentation necessary to verify whether the Board's employees attended training.

The Board must make supporting documentation available to the Comptroller's office in the required manner. See [34 Texas Administrative Code Section, 5.51\(e\)\(2\)-\(3\)](#).

Proper supporting documentation for a purchase must be maintained or be available at least until the end of the second fiscal year after the document was processed in USAS. See [34 Texas Administrative Code 5.51\(e\)\(5\)\(A\)](#).

### Recommendation/Requirement

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The Board must enhance its policies and procedures to document verification of training attendance and make the documentation available during the audit to justify the validity of the payment.

### Board Response

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*The Board will continue to maintain documentation verifying training attendance as part of the procurement file. The Board will continuously enhance its policies and procedures to indicate documentation requirements for each procurement.*





## Missing Receiving Documentation

Auditors identified eight purchase transactions totaling \$3,552.40 and one payment card transaction totaling \$825.41 that lacked documentation confirming the receipt of goods or services. For a furniture purchase transaction, the furniture was shipped directly to an end-user outside of the Board's business office. There was no documentation confirming the end-user received the furniture. The payment card transaction was for the purchase of a server.

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 of a payment depends on the type of claim paid. Examples of required documentation include POs, requestions, contracts, invoices, receipts, and receiving reports.

In addition, according to the Board's General Manual – September 2018, "as items are received, receipt is verified and acknowledged by the purchaser. The individual who ordered the item is notified and the item is delivered."

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:

- 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 Board 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.

## Board Response

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*Prior to making payments for goods or services, the Board has ensured that adequate supporting documentation is contained in the procurement files to justify and validate each purchase. The Board will ensure that an employee independent from the purchasing process will confirm that goods and services were received as expected and confirmation will be retained in agency records.*



## Incorrect Procurement Method Used

Auditors identified one purchase transaction and five payment card transactions where the Board failed to select the correct procurement method for the purchase of office furniture, office supplies, and software. One of the transactions was purchased directly from the vendor even though Texas Correctional Industries (TCI) lists office chairs in its catalog. Four purchase transactions were for office supplies that were purchased from a non-statewide contracted vendor. Software totaling \$41,340 was purchased directly from a vendor without obtaining an exemption or waiver from the requirement to use a DIR contract.

None of the six purchases had the required waivers, exceptions, and/or exemptions to purchase the goods outside of the Texas Department of Information Resources (DIR), TCI, or WorkQuest (formerly TIBH Industries). Although Board procedures require the purchaser to use state-approved purchasing methods to research vendors for the good/ services, this did not always occur.

The [\*\*\*State of Texas Procurement and Contract Management Guide\*\*\*](#) – Procurement Methods – Procurement Method Identification Process 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:

- DIR
- TCI
- State Use Program (WorkQuest)
- 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 – SPD Non-Delegated Purchases. Agencies may obtain an exemption or waiver from the requirement to use a DIR contract to purchase an information technology (IT) commodity item. See the [\*\*\*State of Texas Procurement and Contract Management Guide\*\*\*](#) – DIR Contract - Exemptions and Exclusions.



## Recommendation/Requirement

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The Board must ensure the correct purchasing method as outlined in the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination is used. The Board must ensure purchases are made according to Statewide Procurement Division (SPD) and DIR designated procurement methods and consider offerings from set aside programs, statewide term contracts, and DIR contracts before procuring items from other sources. If the Board uses a different method to purchase goods or services, it must retain appropriate documentation in the procurement file to justify the purchase.

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

## Board Response

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*The Board will continue to ensure that the correct purchasing method is used in accordance with the State of Texas Procurement and Contract Management Guide. The Board will continue to ensure purchases are made according to SPD and DIR designated procurement methods and will consider offerings from set aside programs, statewide term contracts, and DIR contracts before procuring items from other sources. If a different method is used to purchase goods or services, appropriate documentation will be retained in the procurement file to justify the purchase.*

*The Board's current policies and procedures include instructions for determining the correct purchasing method, as well as maintaining supporting documentation required for each purchase.*

## Missing Centralized Master Bidders List (CMBL)

Auditors identified three purchases where the Board failed to perform a CMBL search for all eligible suppliers before making the purchase.

The CMBL is a database of registered vendors who have provided contract information and a list of the goods and services they offer. Vendors pay a nominal annual fee to receive notification of opportunities for solicited goods and/or services through an invitation to bid, request for proposal, request for offer, or request for qualifications. Unless exempted by law, agencies must use the CMBL for all procurements subject to SPD authority. Agencies may also use the CMBL to gather information for noncompetitive procurement processes and vendor performance data.

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



## Recommendation/Requirement

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The Board must use the CMBL for all purchases, including services, for which competitive bidding or competitive sealed proposals are required. A dated copy of the CMBL search results from the specified website must be included in the procurement file as evidence of the vendor search, as well as documentation that the listed pre-qualified vendors were alerted to the business opportunity.

## Board Response

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*The Board continues to use the CMBL for all purchases, including services for which competitive bidding or competitive sealed proposals are required. All required documentation is maintained in the procurement files.*

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

The Board did not meet the solicitation advertisement requirements or the notice of award postings requirements for the same two purchase transactions. The procurement file did not contain proof of posting these purchases, which were over \$25,000, on the Electronic State Business Daily (ESBD). It is mandatory to advertise solicitations on the ESBD for all purchases, solicitations and/or notices of award expected to exceed \$25,000 to increase the opportunity to obtain best value. This includes delegated purchases, emergencies, construction projects, professional or consulting services, proprietary purchases or purchases exempt from SPD 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 for best practices. If posted, posting documentation must be maintained in the procurement file.

After the contract is awarded, a notification of award must be posted on ESBD within two business days if the contract is expected to exceed \$25,000. In the event 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 on ESBD. Depending on the procurement, an agency may also choose to notify each respondent in writing of the non-selection and to maintain proof of the ESBD procurement or contract notice posting in the procurement file.

## Recommendation/Requirement

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The Board must ensure any contract over \$25,000 is posted on ESBD for the proper duration, and that the staff 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\(h\)\(4\)](#).





## Board Response

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*For any contract over \$25,000, the Board will post the solicitation on the ESD for the proper duration. Posting documentation will be maintained in the contract file.*

### Missing Competitive Bid Documentation

Auditors identified three purchase transactions where the Board was missing the solicitation documentation and bid tabulations. The Board did not follow procurement procedures by obtaining bids from multiple vendors. For one of the purchase transactions totaling \$17,500, the Board could not provide documentation that informal bidding for a purchase greater than \$10,000 but not greater than \$25,000 was conducted per [Texas Government Code, Section 2155.132\(e\)](#). The contract developer must provide bid opportunities to vendors active on CMBL within the National Institute of Governmental Purchasing Class and/or Class/Item designated for the solicitation per [Texas Government Code, Section 2155.132\(h\)](#). The contract developer must solicit bids from a minimum of three active vendors on CMBL. See [State of Texas Procurement and Contract Management Guide](#) – Competitive Bidding – Informal Bidding.

For the second purchase valued at \$ \$96,006 for the life of the contract, the Board conducted a request for proposal (RFP) but could not provide the documentation of proposals completed and could not prove the proposal documents were received on time. For the third purchase valued at \$41,340, the Board did not competitively bid the purchase of software. The last two purchases were also missing the qualification evaluation, bid tabulations, and documentation showing the Board followed procurement procedures by obtaining bids from multiple vendors.

The bid or proposal solicitation document is the first official notice to vendors that an ordering agency intends to procure a good or service. The solicitation document serves as the official explanation of the ordering agency's requirements and how the vendor(s) will be selected. It is crucial the Board includes terms and conditions specific to the agency's solicitation, regardless of the type of solicitation document used. See [34 Texas Administrative Code Section 20.214](#) and the [State of Texas Procurement and Contract Management Guide](#) – Evaluation – Bid Tabulation Process.

All vendor responses must be received on or before the due date stipulated in the solicitation. Then the ordering agency must evaluate them for qualification, then conduct a comparative analysis or bid tabulation before the award phase. See the [State of Texas Procurement and Contract Management Guide](#) – Solicitation – Receipt and Control of Responses. Without evidence in the contract file of when proposals were received, whether each passed the initial qualification for the bid round, and why some did not qualify, auditors could not determine if the process exhibited the required level of competitiveness, transparency, and equality.

Obtaining bids from multiple vendors decreases the risk that the Board will overpay for services and might also result in a more qualified vendor being selected.



## Recommendation/Requirement

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Procurements for goods and services must, whenever possible, be accomplished through competitive bidding. A competitive bidding procurement method is used when the requirements are so clearly defined that they may be described by detailed specifications listed in a purchase order. Competitive bidding may be accomplished either by a formal solicitation or informal bidding. The Board must maintain solicitation documentation and bid tabulations to verify that competitive bidding processes were used.

## Board Response

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*Whenever possible, procurements for goods and services will be accomplished through competitive bidding, Solicitation documentation and bid tabulations will be maintained in the procurement files to verify that competitive bidding processes were used.*

## Missing Vendor Compliance Verifications

The Board was unable to provide proof that it performed vendor compliance verifications (VCVs) for the purchase transactions in the sample. The Board must provide proof to show it performed each verification. Without running these checks, the Board risks awarding a contract or making a payment in violation of state or federal law.

## Debarment Check

The Board did not search the [Debarred Vendor List](#) before entering into eight 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. 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. See [34 Texas Administrative Code Section 20.585](#).

## System for Award Management and Office of Foreign Asset Control Checks

The Board was unable to provide evidence staff conducted timely System for Award Management (SAM) and Office of Foreign Asset Control (OFAC) database checks before awarding a contract for 11 transactions. Agencies must check the SAM database before awarding a contract 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 Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions). See [Executive Order 13224](#).



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

The Board did not check the Iran, Sudan, and foreign terrorist lists for seven purchase transactions in the sample. Government 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 Iran, Sudan, 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.

## Boycott Israel Check

For seven purchase transactions, the Board was unable to provide evidence it conducted the boycott Israel check. Government agencies may not contract with a company unless the contract contains written verification that the company 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.

## Missing Warrant Hold Check

Auditors identified a total of eight payment card transactions where the Board did not document the verification of the vendor's warrant hold status before making a purchase. Four of the transactions were from the purchase sample and the other four transactions were from the payment card sample. The Board must check warrant hold if a payment card purchase is over \$500. See [TexPayment Resource – Warrant Hold – Hold Special Circumstances – Payment Card Purchases](#) and [State of Texas Procurement and Contract Management Guide – Warrant/Payment Hold Check](#).

## Recommendation/Requirement

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The Board must update its policies and procedures to ensure it completes all the required VCVs before any purchase, contract award, extension, or renewal, and to ensure it retains proof of the results in the procurement file. In addition, the Board needs to ensure that its employees are aware of all the 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](#).



## Board Response

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*The Board will ensure that all VCVs are completed prior to any purchase, contract award, extension, or renewal. The Board will also ensure that proof of the results are retained in the procurement file. The Board's current purchasing staff are aware of all VCVs required for all purchases.*

## Missing Pre-Award Vendor Performance Tracking System Check/Failure to Report to VPTS

Auditors identified three purchase transactions where the Board did not evaluate the vendor performance reports before awarding the procurement. Auditors also identified two purchase transactions that were not reported to the Vendor Performance Tracking System (VPTS) for contracts over \$25,000.

The Board must consider all the information collected and evaluated before awarding a contract. [Texas Government Code, Section 2262.055](#) requires agencies to use VPTS to determine whether to award a contract to a vendor reviewed in the tracking system.

SPD administers VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). 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 or any other purchase over \$25,000 made through delegated authority granted by SPD. Ordering agencies are also 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](#).

## Recommendation/Requirement

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The Board must ensure procurement staff use 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 prior to contract award. When the total value exceeds \$25,000, the Board must also ensure the vendor's performance is assessed and reported 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 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](#).





## Board Response

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*The Board will ensure that procurement staff will use VPTS before determining whether to award a contract to a vendor. VPTS review results are maintained in the procurement files. Staff training documentation will include instructions on using and reporting to VPTS, as well as documentation requirements.*

## Failure to Report Contracting Information in Centralized Accounting Payroll and Personnel System (CAPPS)

Auditors noted six contracts that were not posted in CAPPS. Agencies using CAPPS must post solicitation and contract information according to Comptroller requirements. [Texas Government Code, Section 2101.041\(a\)](#) and [34 Texas Administrative Code Section 5.302\(b\)](#). Neither Texas Government Code, Section 2101.041(a) nor [34 Texas Administrative Section 5.302\(b\)](#) limit the term “contracts” to any certain type of contracts or a certain dollar amount. So, all contracts should be reported to CAPPS.

## Recommendation/Requirement

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The Board must post contract information to CAPPS to fulfill the Legislature’s enterprise resource planning requirements. See [State of Texas Procurement and Contract Management Guide](#) – Agency Reporting of Contracting Information in CAPPS.

## Board Response

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*The Board will ensure that all contract information is posted in CAPPS to fulfill the Legislature’s enterprise resource planning requirements.*

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

Auditors identified one purchase transaction where the Board failed to report a peer assistant services contract to the LBB. According to the [General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#), an agency must report all contracts over \$50,000 to the LBB.

## Recommendation/Requirement

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The Board must report contract awards and purchases to the LBB to comply with [GAA, Article IX, Section 7.04](#) and the [LBB Contract Reporting Guide](#).

## Board Response

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*The Board will report contract awards and purchases to the LBB to comply with state requirements.*



## Prompt Payment – Late Payments

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a government 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.
- 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 it is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#) and [eXpendit – Prompt Payment](#).

Auditors identified four purchase transactions in the sample that the Board paid late and did not pay the vendor interest due on the payment. In addition, the Board underpaid interest for six transactions.

### Recommendation/Requirement

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The Board must review its procedures to ensure it schedules payments for processing in compliance with state law. The Board must verify proper due dates are entered to ensure payments are paid correctly to vendors. See [eXpendit \(FPP I.005\)](#).

### Board Response

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*The Board has reviewed its procedures and has made necessary changes to ensure it schedules payments for processing in compliance with state law. The Board verifies that proper due dates are entered to ensure payments are paid correctly to vendors.*

## Missing Annual Procurement Plan

The Board did not submit the annual procurement plan for fiscal 2022 to the Comptroller's office. When an agency does not submit an annual procurement plan, the Comptroller's office is not able to analyze state spending or opportunities for contract consolidation at the statewide level or evaluate agency personnel's authority to submit procurement requests, such as open market requisitions or delegation requests.

According to [34 Texas Administrative Code Section 20.132\(b\)](#), agencies must formulate a procurement plan. Additionally, agencies must submit a current procurement plan to the Comptroller's office annually. See [State of Texas Procurement and Contract Management Guide](#) – Agency Procurement Plan.

### Recommendation/Requirement

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The Board must ensure it submits a procurement plan to the Comptroller's office yearly and timely.



## Board Response

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*The Board submitted a procurement plan to the Comptroller's office in a timely fashion this past year, and will continue to do so in the future.*

## Improper Payment of State Sales Tax

Auditors identified one payment card transaction where the Board paid state sales taxes that should not have been paid. The Board paid for telecommunication services that included sales tax in the final invoice. The Board agreed that sales tax is not an allowable expense and stated that vendors will be required to complete the sales tax exemption form. See [eXpendit – Miscellaneous Expenditures – Payments and Fees – Taxes and Fees Assessed by Governmental Entities](#) and [34 Texas Administrative Code Section 3.322](#).

## Recommendation/Requirement

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The Board should enhance training for staff members who make purchases using procurement cards to ensure sales taxes are not included in the final payment to the vendor.

## Board Response

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*The Board has made every effort to ensure that sales tax has not been paid on purchases made with the procurement card. Additional training will be provided to staff to ensure the Board's efforts continue in the future.*

## In and Out of Town Travel, and Travel Card Transactions

Auditors developed a sample of 20 travel transactions totaling \$5,679.78 and ten travel card transactions totaling \$5,104.03 to ensure the Board complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Audit tests revealed numerous exceptions for this group of transactions.

The Board was not able to provide root causes for the exceptions noted. The Board stated that all staff involved in finance and purchasing, including executive level staff, left the agency in fiscal 2022. Current staff has received extensive training and has additional oversight from executive staff and the Board.

## Missing Statutory Authority/Lack of Conservation of State Funds/Missing Complete Documentation

Auditors identified 11 travel sample transactions and 4 travel card transactions that did not comply with travel requirements, including unauthorized exemptions, missing adequate detailed documentation, and lack of conservation of state funds.



The Board developed and followed an internal policy that does not comply with Government Code, Chapter 660, Travel Expenses requirements. Effective in 2018, the Board developed an internal travel policy stating it will exercise the authority given by Texas Government Code, Section 660.007 to set a reimbursement rate that is less than the maximum. The policy went on to indicate four other questionable policy terms:

- Employees whose job descriptions require either extensive travel or are assigned regions to conduct state business have separate requirements.
- When these employees travel using a personal vehicle, the reimbursement will be the current state contracted rental rate for a full-size vehicle.
- These employees will be reimbursed for the fuel purchases made while conducting state business regardless of the vehicle used.
- These employees are exempt from submitting the Travel Rental vs. Personal form and Google maps.

[Texas Government Code, Section 660.002\(20\)](#) indicates that “state employee” means a person employed by a state agency. The term includes a key official unless this chapter specifically provides otherwise.

[Texas Government Code, Section 660.007](#) indicates that a state agency shall minimize the amount of travel expenses paid or reimbursed and ensure each travel arrangement is the most cost effective.

However, the Board did not have the statutory authority to segregate the employees who travel extensively and to exempt them from the same requirements as all state employees traveling using a personal vehicle. This exemption does not comply with the definition of the state employee as defined in this section. Additionally, segregating this group of employees means that they and/or the Board do not have to prove they have selected the most cost-effective method for each travel arrangement. Also, the policy does not include any clear definition for this group of travelers, their job functions, and/or what constitutes extensive travel.

[Texas Government Code, Section 660.042](#) states that a mileage reimbursement may not exceed the product of:

- The applicable mileage reimbursement rate as established by the Legislature in the travel provisions of the GAA.
- The number of miles traveled as limited by this subchapter.

Also see [Texas Government Code, Section 660.041\(b\)](#) and [34 Texas Administrative Code Section 5.22\(g\) and \(j\)](#).





[General Appropriations Act, Article IX, Section 5.03](#) indicates that for a state employee's use of a personally owned or leased motor vehicle, the mileage reimbursement rate for travel equals the maximum fixed mileage allowance specified in the revenue rulings issued by the Internal Revenue Service under the federal income tax regulations as announced by the Comptroller.

The Comptroller's travel policy, [FPP G.005](#), indicates that the mileage reimbursement rate is the maximum mileage reimbursement rate set annually by the U.S. General Services Administration's (GSA's) per diem rate. Additionally, it indicates that the mileage reimbursement rate is inclusive of all expenses associated with the employee's use of his or her vehicle.

However, the Board's internal policy indicates this group of travelers, when using personal vehicles will be reimbursed the current state contracted rental rate for a full-size vehicle for each day of travel, which range between \$38.06 and \$39.96 according to the state rental car contracts, plus the fuel purchases made while conducting state business regardless of the vehicle used.

The Board claims that using this rental car rate for this group of travelers will minimize the amount of travel expenses paid or reimbursed per [Section 660.007](#). However, this rate does not comply with the statute, rules, or Comptroller policy identified mileage reimbursement rate and the policy does not explain how this rate minimizes the cost for all travels for all individuals in this group.

Additionally, auditors identified six travel transactions where using this car rental rate identified in the policy resulted in reimbursement overpayments totaling \$667.39 and one additional transaction where there was insufficient mileage information to determine actual cost.

Travel transactions audited showed other noncompliance issues including:

- Eight of 15 travel transactions audited did not include any form of cost comparison to support which travel method would be the most cost effective, considering all circumstances, such as personal car versus rental car or driving versus air travel per Section [660.007](#). According to [Texas Government Code, Section 660.027\(d\)-\(e\)](#), a travel voucher must be supported by a description of the official state business performed, and the information and documentation the Comptroller considers necessary to determine compliance with travel regulations.
- Nine travel transactions (five from the travel sample and four from the travel card sample) were missing travel information/documentation. One transaction had no documentation at all, one had insufficient documentation, four were missing the hotel receipt, two were missing the airfare receipt, and one was missing the agent fee receipt. In addition, the business purpose of the trip was not documented on four of the nine transactions. See [Texas Government Code, Section 660.027\(d\)](#).



- One employee was only paid for mileage for two days of travel instead of the actual six days of travel resulting in an underpayment of the actual total travel cost.
- The Board made a \$513.00 duplicate payment for hotel expenses charged on a Citibank card. The initial payment was made on July 11, 2022. The duplicate payment was made on July 28, 2022.
- For three travel transactions where travel per diem reimbursements were requested, the Board was unable to provide three travel vouchers to substantiate the validity of the payments.

## Recommendation/Requirement

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The Board should re-evaluate its internal travel policy in consultation with its legal staff and update the policy to ensure it complies with all the applicable requirements in [Texas Government Code, Chapter 660](#).

Additionally, the Board should ensure all required supporting documentation is maintained to justify the validity of a payment. A travel cost analysis/comparisons of transportation options (personal vehicle, rental car, airfare, or agency fleet vehicle) should be completed for each travel, unless an agencywide lower rate, in compliance with [Section 660.042](#) requirements is selected, to appropriately reimburse travelers and ensure the most cost-efficient method of travel is used. See [Section 660.007](#). A cost analysis can be completed and documented using the [Rental Vehicle vs. Mileage Reimbursement Calculator](#) or any other method the traveler/agency chose to use. In addition, if the Board uses a method of transportation other than the lowest-cost method, the travel file should include documentation of the circumstances that justified the exception and approval by a supervisor or travel coordinator.

## Board Response

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*The Board is in the process of formulating a new travel policy to ensure it complies with all applicable state requirements. The Board has made efforts in ensuring that all supporting travel documentation is maintained to justify the validity of a payment. Rental Vehicle vs. Mileage Reimbursement Calculators are completed for every travel voucher submitted for reimbursement. If another method of travel is used other than the lowest-cost method, documentation of the circumstances to justify the exception along with the supervisor's approval is maintained in the travel reimbursement files.*

## Refund of Revenue

Auditors tested three refund of revenue transactions totaling \$551.00 to ensure the Board complied with the GAA and pertinent statutes. Audit test revealed no exceptions.



## 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 exceptions in the Board's targeted analysis reports.

### Loss to the Payment Card Rebate Program

The Board was 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.

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.

According to the Board, it does not know the reason why the Citibank cards were not paid in advance or why it did not take advantage of the rebates. Staff members involved in these particular transactions are no longer working for the Board. Current staff has received extensive training and has additional oversight from executive staff and the Board.

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 Board did not take advantage of the discounts offered by Citi and paid the invoice an average of 60 days after the statement date resulting in a maximum lost rebate. By not taking advantage of the rebates, agencies and institutions of higher education hinder SPD's ability to negotiate rebates on future contracts.



According to [Texas Government Code, Section 2251.030](#), the Legislature expects agencies 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

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The Board should change its payment processes to comply with requirements, take advantage of rebates, and avoid the double penalty of lost rebates and late payment interest. The Board should:

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

## Board Response

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*The Board will obtain statements online whenever possible. The Board will work with Citi Bank to develop an automated reconciliation for travel and purchase receipts as transactions occur. When possible, the Board will also make partial payments based on supporting documentation received and reconcile and pay as costs arise.*

## Confidential Treatment of Information Acknowledgment (CTIA) Form Signed After Connect Date

Auditors evaluated the Board's compliance with the requirement that all users of the Comptroller's statewide financial systems complete a CTIA form. See [FMX, FPP K.015 Access Requirements for Comptroller Systems](#).

When a new user requires access to the Comptroller's systems, the Board's security coordinator should have the user read and sign the CTIA form. The Board's security coordinator should keep the signed form on file for as long as the user has access to the systems plus five years. Auditors reviewed this requirement for four employees. Three employees did not have a CTIA form on file before accessing the Comptroller's statewide financial systems.

The Board stated this was due to an oversight. Staff has since received extensive training and has additional oversight from executive staff and the Board.

## Recommendation/Requirement

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The Board must enhance its procedures to ensure no user gains access to any of the statewide financial systems before completing a CTIA form.



## Board Response

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*As part of the onboarding process, new employees are now provided with a paper CTIA form or the link to complete the acknowledgment online before gaining access to any of the statewide financial systems.*

## Duplicate Payments

In a report generated outside the sample, auditors identified three duplicate payments consisting of refunds for licensing fees. During fieldwork, the Board staff could not locate any evidence the money has been recouped or attempts were made to recoup it. One of the individuals listed has a warrant hold with another state agency. The Board will be contacting the other state agency for a copy of their documentation. For the other two individuals, the Board will be sending certified letters requesting recoupment. If no response is received, then the Board will issue a warrant hold.

According to the Board, the reason for the duplicate payments is unknown. All staff involved in finance and purchasing, including executive level staff, left the agency in fiscal 2022. Current staff has received extensive training and has additional oversight from executive staff and the Board.

## Recommendation/Requirement

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The Board must enhance its procedures to identify potential duplicate payments to avoid processing duplicate payments/refunds to vendors/licensees.

## Board Response

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*The Board has enhanced its procedures to identify any potential duplicate payments and avoid the processing of any duplicate payments/refunds to vendors/licensees. A spreadsheet is now kept as part of the procurement files which maintains refund information and is used for tracking purposes. This will help mitigate the risk of duplicate payments.*

## Incorrect 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.

Direct deposit forms were reviewed for four employees listed on the International Automated Clearing House Transactions (IAT) report. All four direct deposit forms had the International Payments Verification section properly completed. However, auditors identified an error in the review of the payroll sample. Of the 15 payees selected and reviewed from the payroll sample, one had an outdated form that did not properly identify whether payments would be transferred outside the United States i.e.,





International Payments Verification. Without the correct form, the Board was unable to indicate whether state funds would be forwarded to a financial institution outside the United States.

Due to the federal requirements mandated by the Office of Foreign Assets Control, the National Automated Clearing House Association has adopted specific rules on the identification and processing of international automated clearing house transactions.

To avoid potential federal penalties, each agency must:

- Be able to show due diligence in processing of all direct deposit payments.
- Do its best to ensure direct deposit payments issued 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 Board is unable to follow the direct deposit requirements.

The Board stated that an updated direct deposit form will be completed for the respective employee. The root cause is unknown. All staff involved in the onboarding of the employee are no longer with the Board. Current staff has received extensive training and has additional oversight from executive staff and the Board.

## Recommendation/Requirement

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The Board 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.

## Board Response

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*The Board will ensure that all payees who request direct deposit payments submit a completed and signed Direct Deposit Authorization form with the international payments verification question answered.*



# 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 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**

*Angelica Villafuerte, CGAP, CTCD, Lead Auditor*

*Anna Calzada, CTCD, CTCM*

*Eunice Miranda, CTCD, CTCM*



## 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.