



An Audit of the Senate

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Senate:

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

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2022, through Nov. 30, 2023.

Background

The Senate is the upper house of the Texas Legislature. The Senate is composed of 31 elected members who represent 31 separate geographical districts in the state. The lieutenant governor serves as president of the Senate.

Senate website

<https://senate.texas.gov/>

Audit Results

The Senate largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found no issues with payroll and travel transactions and property management. However, the Senate should consider making improvements to its procurement processes.

Auditors did not reissue any findings from the previous audit, which was issued in August 2017. An overview of audit results is presented in the following table.



Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Purchase, Payment Card, and Contract Transactions	Did purchase, payment card, and contract transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	Missing vendor compliance verifications	Compliant, Findings Issued
Travel and Travel Card Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting system?	No issues	Fully Compliant
Targeted Analysis	Did targeted analysis transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	Missing direct deposit authorization forms	Control Weakness Issues Exist

Key Recommendations

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

- The Senate must develop procedures for completing all necessary vendor compliance verifications (VCVs).
- The Senate must develop procedures to ensure direct deposit authorization forms are completed and maintained.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$488,603.38 from a group of 25 employees involving 102 payroll transactions to ensure the Senate complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#), and pertinent statutes. Audit tests revealed no exceptions in this group of transactions. Additionally, a limited sample of six voluntary contributions transactions were audited with no exceptions identified.

Purchase Transactions

Auditors developed a sample of 20 purchase transactions totaling \$554,527.90 and a sample of five payment card transactions totaling \$7,479.45 to ensure the Senate complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Missing Vendor Compliance Verifications (VCVs)

Auditors identified 15 transactions from the purchase sample and five transactions from the payment card sample missing required VCVs. The purchase files did not include documentation showing staff performed three VCVs. The Senate must provide dated proof it performed each verification. When vendors are not checked prior to purchase or contract award, there is a risk of conducting business with unauthorized vendors or making payments to vendors who owe money to the state.

System for Award Management and Office of Foreign Assets Control Checks

The Senate was unable to provide evidence staff conducted the System for Award Management (SAM) and Office for Foreign Assets Control (OFAC) database checks prior to 15 purchase transactions. According to the Senate, it believed it was exempt from these compliance checks. Since fieldwork, the Senate has updated its internal purchase/procurement procedures and it is conducting these checks.

Agencies must check the SAM database prior to purchase or contract award to verify the vendor is not excluded from grant or contract participation at the federal level. Additionally, a contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions). See Presidential [Executive Order 13224](#).



Boycott Israel Check

The Senate was unable to provide evidence it conducted a boycott Israel check for one purchase transaction. According to the Senate, it believed it was exempt from this compliance check. Since fieldwork, the Senate has updated its internal purchase procedures/procurement and it is conducting 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.

Warrant Hold Check

Auditors identified five payment card transactions where the Senate did not document the verification of the vendor's warrant hold status before making a purchase. According to the Senate, it believed it was exempt from this compliance check. Since fieldwork, the Senate has updated its internal purchase procedures/procurement and it is conducting the warrant hold check.

An agency must verify a vendor's warrant hold status if a payment card purchase is over \$500. See [TexPayment Resource – Hold Special Circumstances – Payment Card Purchases](#)

Recommendation/Requirement

The Senate must ensure all required VCVs are conducted prior to any purchase and contract award, extension or renewal. The Senate must retain records of these results in the procurement file to show the verification requirements were met. In addition, staff training programs and related documentation must include instructions for performing VCVs. Using a procurement checklist can help ensure all requirements are completed.

Senate Response

A checklist has been created to ensure each purchase goes through the vendor verification.

Travel Transactions

Auditors developed a sample of 30 travel transactions totaling \$82,559.66 and 5 travel card transactions totaling \$2,938.66 to ensure the Senate complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Audit tests revealed no exceptions in these transactions.



Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) system. Audit tests revealed no exceptions in these transactions.

Targeted Analysis

The audit included targeted analyses outside the main samples of payroll, purchase and travel transactions. Using Comptroller statewide financial systems and the Citibank CitiManager reporting system, 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.

Missing Direct Deposit Authorization Forms

Auditors conducted a review of the Senate's procedures to comply with the federal mandate to properly identify and handle payments involving moving funds internationally. Of the 10 vendors and employees selected for review, three direct deposit forms were missing. The Senate tried to locate the forms but was not successful. Without a form on file, the Senate was unable to indicate whether state funds were forwarded to a financial institution outside the United States.

Due to federal requirements mandated by OFAC, 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 state agency must:

- Be able to show due diligence in the 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.

Recommendation/Requirement

The Senate must review and modify its processes to ensure it maintains the required direct deposit forms for employees and vendors to ensure the federal requirements mandated by OFAC are being followed.

Senate Response

Senate Purchasing has maintained the required forms for all vendors currently on direct deposit.



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 the statewide financial systems.
- 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 Senate payroll, purchase and travel transactions that processed through the statewide financial systems from Dec. 1, 2022, through Nov. 30, 2023, to determine compliance with applicable state laws.

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