



# An Audit of the **Texas Historical Commission**

**Audit Report #808-24-01  
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# Executive Summary

## Purpose and Scope

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

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and guidelines for statewide financial systems.
- 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, 2022, through Aug. 31, 2023.

## Background

The Texas Historical Commission is the state agency for historic preservation. The Texas Legislature established the agency in 1953 as the Texas State Historical Survey Committee to identify important historic sites across the state, then in 1973 added preservation and education duties to the agency's role and changed its name to the Texas Historical Commission. The Commission's mission is to protect and preserve the state's historic and prehistoric resources for the use, education, enjoyment and economic benefit of present and future generations.

**Texas Historical Commission  
website**

<https://thc.texas.gov/about>

## Audit Results




The Commission generally complied with the General Appropriations Act (GAA), other statutes and Comptroller requirements. Auditors found no issues with grants, fixed assets or refund of revenue transactions. However, the Commission should consider making improvements to its payroll, purchase and procurement, and travel processes.


Auditors reissued some findings related to purchase and procurement processes from the Commission's previous audit. Auditors originally issued these findings in January 2019. 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?	Incorrect state effective service date/longevity payment	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 record of solicitation announcements.</li> <li>•  Missing record of proposal receipts.</li> <li>• Missing administrative review of respondent solicitation.</li> <li>•  Missing vendor compliance verifications (VCVs).</li> <li>• Missing Texas Ethics Commission Certificate of Interested Parties (Form 1295).</li> <li>•  Missing State Auditor's office (SAO) nepotism disclosure form.</li> <li>• Noncompliance with LBB reporting requirements.</li> <li>• Missing pre-award Vendor Performance Tracking System (VPTS) check and failure to report to VPTS.</li> </ul>	Noncompliant
<a href="#">Travel and Travel Card Transactions</a>	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Lack of conservation of state funds	Compliant, Findings Issued
<a href="#">Non-Overnight Travel Transactions</a>	Did non-overnight travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Improper payment of non-overnight meals	Compliant, Findings Issued

 Repeat Finding



Area	Audit Question	Results	Rating
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting System?	No issues	Fully Compliant
Refund of Revenue	Did refund of revenue transactions comply with pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grants	Did grant transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<a href="#">Targeted Analysis</a>	Did targeted analysis transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"><li>• Missing/incorrect Direct Deposit Authorization form.</li><li>• Missing dual employment verification.</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 Commission must update its controls and internal operating procedures to ensure prior state service records are accurate and to detect and prevent incorrect compensation.
- The Commission must strengthen controls over purchasing to ensure staff:
  - Maintains all documentation to support compliance with advertisement requirements including the solicitation announcement to the vendors listed in the Centralized Master Bidders List (CMBL).
  - Maintains all records of proposal receipts and conducts an administrative review of the solicitation responses received.
  - Conducts all applicable vendor compliance verifications before any purchase, contract award, extension and/or renewal, and retains proof of the verifications in its files.



- Ensures vendors submit a completed and signed Texas Ethics Commission (TEC) Form 1295 to the Commission with the certification of filling number and date for any contract over \$1 million.
  - Completes the State Auditor's office (SAO) nepotism disclosure form before awarding a contract over \$1 million.
  - Reports contracts to the Legislative Budget Board (LBB) and submits written notifications to the LBB for applicable contracts.
  - Checks the Vendor Performance Tracking System (VPTS) before awarding a contract to a vendor, and assesses and reports each vendor's performance to the VPTS at required intervals or at contract completion or termination.
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- The Commission must require travelers to complete cost comparisons before travel and review the comparisons to safeguard state resources.
  - The Commission must not reimburse employees for non-overnight meal expenses when time spent traveling outside of the employee's designated headquarters is less than eight hours.
  - The Commission must ensure vendors comply with direct deposit authorization requirements before distributing payments.
  - The Commission must obtain dual employment information from employees, follow up with the other employer, and document the communication and agreements.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$273,564.07 from a group of 25 employees and 192 payroll transactions to ensure the Commission complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed the following exception in this group of transactions.

## Incorrect State Effective Service Date/Longevity Payment

Auditors identified one individual in the payroll sample with an incorrect state effective service date, which resulted in incorrect longevity payments. At the time of hire, the employee listed the previous state employment on the application and on the Commission's internal prior state service information form.

When an agency hires an employee, the agency must research whether the employee has previous state employment or risk underpaying longevity pay. If prior state employment exists, the agency must confirm the amount of lifetime service credit and properly record it.

Additionally, the Commission's payroll policies and procedures require staff to verify prior state service when an employee lists it on the job application and/or the internal form. The Commission sent a verification form to the prior agency and received the confirmation of prior service but did not enter the prior employment dates into CAPPs, resulting in an incorrect state effective service date. The incorrect date resulted in an underpayment of longevity pay. The Commission stated that the issue occurred due to clerical oversight.

During the audit, the Commission indicated that the individual is no longer employed with the agency. Auditors advised the Commission to attempt to contact the individual to correct the underpayment. The Commission began the process to compensate the individual for the underpaid longevity pay using supplemental payroll and miscellaneous claims processes.

See [Texas Payroll/Personnel Resource - Longevity Pay](#). Also, [34 Texas Administrative Code Section 5.40\(c\)\(2\)](#) requires state agencies to ensure their internal operating procedures include quality control measures to prevent underpayment of compensation to employees.

## Recommendation/Requirement

The Commission must update its controls and internal operating procedures to ensure prior state service records are accurate and to detect and prevent incorrect compensation. The Commission must also continue to review each employee's job



application and the internal prior state service forms to confirm they are properly recorded in the accounting and payroll systems, ensuring longevity pay increases occur at the correct times. See [34 Texas Administrative Code Section 5.40\(c\)](#).

## Commission Response

*The Human Resource (HR) Division has adjusted the incorrect service dates/longevity pay and on a monthly basis (as applicable) will continue to:*

- *review each employee's job application and prior state service employment forms, to include review of the State of Texas Employment History Application, to ensure all prior service is properly recorded and ensure accurate longevity payment;*
- *follow-up on prior state service verifications; and*
- *communicate the importance of disclosing prior state service during onboarding process.*

*The division is in the process of incorporating quality control measures to ensure accuracy and completeness of prior state service verifications and entries. The quality control measures will be documented and implemented by Dec. 31, 2024.*

## Purchase Transactions

Auditors developed a sample of 25 purchase transactions totaling \$3,911,627.12 and 15 payment card transactions totaling \$61,230.15 to ensure that the Commission complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

## Missing Record of Solicitation Announcements

For three purchase transactions, the Commission could not provide the solicitation announcements sent to the vendors listed in the Centralized Master Bidders List (CMBL) search. According to the Commission, the missing documentation resulted from staff turnover and lack of training.

[Texas Government Code, Section 2155.264](#) and the [State of Texas Procurement and Contract Management Guide](#) – Centralized Master Bidders List require agencies to use the CMBL to identify and contact each eligible vendor on the list that serves the agency's geographic region for procurements over \$25,000. Also, when agencies are required to use the CMBL, they must send the solicitation to all vendors on the CMBL bid list for the advertised National Institute of Government Purchasing (NIGP) commodity code(s) to notify them about the opportunity and the Electronic State Business Daily posting information.





Without documentation that the solicitation was sent to all required vendors on the CMBL, the Commission could not prove it contacted all the qualified vendors, or that competition was not impacted.

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## Recommendation/Requirement

The Commission must maintain complete documentation of its use of the CMBL, including copies of the solicitation announcements sent to CMBL vendors, and continue to train its staff to ensure it solicits from all eligible vendors as required.

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## Commission Response

*Procurement and Contract Services (PCS) is addressing the Missing Records of Solicitation by ensuring that the agency Purchasers are trained to ensure solicitation from all eligible vendors, and the documentation, filing and maintaining of solicitation announcements. The senior purchaser trained purchasing staff on these processes on Oct. 15, 2024, and a refresher training will be provided every quarter.*

*PCS is also developing written procedures for purchasers to refer to as needed on this requirement to supplement the training. PCS expects to have the procedures finalized by Nov. 30, 2024.*

*As new staff is hired, the procurement division will develop an onboarding plan that includes this training to ensure that adequate documentation is included in the procurement file. The onboarding plan will be completed by Nov. 30, 2024.*

## Missing Record of Proposal Receipts

For two purchase transactions, the Commission was unable to provide documentation of the vendor solicitation responses including the date and time they were received. According to the Commission, copies of the documentation were not saved in the shared drive or bid folder due to lack of staff training and employee turnover.

To ensure fairness, agencies should not open or review submitted responses before the due date and time has passed. An agency may confirm that a sealed submission, faxed document or email has been received. See the [State of Texas Procurement and Contract Management Guide](#) – Solicitation – Receipt and Control of Responses.

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## Recommendation/Requirement

The Commission must maintain all solicitation responses in the procurement file with the date and time they were received.



## Commission Response

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*Procurement and Contract Services provided training to purchasers on Oct. 15, 2024, regarding the finding Missing Records of Proposal Receipts. This training will help ensure that all agency Purchasers are trained in the compliance of filing and maintaining proposal receipts.*

*In addition, staff was reminded to use the procurement checklist that details what documentation should be maintained in the file.*

*As new staff is hired, the procurement division will develop an onboarding plan that includes this training to ensure that proposal receipts are included in the procurement file. The onboarding plan will be completed by Nov. 30, 2024.*

## Missing Administrative Review of Respondent Solicitation

For two purchase transactions, the Commission failed to document whether it conducted an administrative review of the solicitation responses after they were opened and recorded. The Commission stated that the hard copies of the documentation were not scanned to the shared drive due to lack of staff training and employee turnover.

The administrative review includes an examination of each response to verify the vendor meets the minimum qualifications and has included all required forms and documents in the solicitation response. See [State of Texas Procurement and Contract Management Guide](#) – Administrative Review of Responses.

## Recommendation/Requirement

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The Commission must follow procurement procedures and continue to train its staff to perform administrative review of all respondent solicitations. The Commission must maintain the administrative review documentation as part of the procurement file. See the [State of Texas Procurement and Contract Management Guide](#) – Appendix 19 for an administrative review checklist.

## Commission Response

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*Procurement and Contract Services (PCS) addressed the administrative review of respondent solicitation by ensuring that all agency Purchasers are trained to follow the State of Texas Procurement and Contract Management Guide - Appendix 19 and the THC solicitation compliance checklist. The senior purchaser trained purchasing staff on these requirements on Oct. 15, 2024.*

*PCS staff members were also reminded to use the State of Texas Procurement and Contract Management Guide's checklist(s) (provided to them) and how to save procurement files for audit reviews.*



*As new staff are hired, the procurement division will develop an onboarding plan that includes this training to ensure that the requirements for an administrative review is understood. The onboarding plan will be completed by Nov. 30, 2024.*

*Lastly, PCS is working on developing a quality assurance process to review a random sample of procurement files to confirm all of the required documentation is in the file, the system is expected to be developed and implemented by Dec. 30, 2024.*

## Missing Vendor Compliance Verifications (VCVs)

Auditors identified seven purchase transactions and 11 payment card transactions missing documentation that the Commission performed VCVs. The Commission must provide evidence, such as a screen print, that staff performed each verification. When agencies fail to conduct VCVs before purchase or contract award, they risk conducting business with unauthorized vendors or issuing payments to vendors who owe money to the state.

### Warrant Hold Check

The Commission was unable to provide evidence it conducted a warrant hold check for 11 payment card purchases over \$500.

[Texas Government Code, Section 2252.903](#) and [eXpendit – Persons Indebted to the State](#) require agencies to verify a vendor’s warrant hold status for payment card purchases over \$500.

Agencies may not proceed with payment card purchases over \$500 until any warrant hold has been released. See [eXpendit – Persons Indebted to the State](#). According to the Commission, the omissions were due to high turnover and the volume of requests.

### System for Award Management (SAM) Check and Office of Foreign Assets Control (OFAC) Check

For seven purchase transactions, the Commission could not prove it conducted the SAM and OFAC checks before contract award. According to the Commission, the staff did not scan and save the documentation due to lack of staff training and employee turnover.

Agencies must check the SAM database to ensure 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](#).



## Debarment Check

The Commission did not search the Debarred Vendor List for four purchase transactions before procuring the goods or services. The contract developer must check the [Debarred Vendor List](#) on the Comptroller's website to ensure the vendor has not been debarred by the Comptroller's Statewide Procurement Division (SPD). An agency must not award a contract to a debarred vendor. The SPD may bar a vendor from participating in state contracts, including a contract whose purchasing authority was delegated to an agency by the SPD, for substandard performance under a contract. See [Texas Government Code, Section 2155.077](#) and the [State of Texas Procurement and Contract Management Guide](#) – Vendor Compliance Verifications. According to the Commission, the search was not conducted due to lack of staff training and employee turnover.

## Boycott Israel Check

The Commission was unable to provide proof it conducted the boycott Israel check before contract award for two purchase transactions. According to the Commission, this occurred due to lack of staff training.

Agencies may not contract with a company for goods or services 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](#).

Before awarding the contract, agencies must check the divestment lists posted on the Comptroller's website to determine if the potential awardee is in violation of this requirement. If the potential awardee is on the list, an agency cannot award the contract to that vendor. See the [State of Texas Procurement and Contract Management Guide](#) – Boycott Israel Check.

## Energy Company Boycott Check

The Commission was unable to prove it conducted the energy company boycott check before contract award for one purchase transaction. According to the Commission, this occurred due to lack of staff training.

A government entity may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott energy companies and will not boycott energy companies during the term of the contract. Agencies must check the [divestment list](#) to confirm the potential awardee is not in violation of this requirement. See [Texas Government Code, Section 2276.002](#) and the [State of Texas Procurement and Contract Management Guide](#) – Energy Company Boycott Check.





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## Recommendation/Requirement

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The Commission must train its staff to conduct all applicable VCVs before any purchase, contract award, extension and/or renewal, and must retain dated results from each specified website in each relevant purchase, procurement or contract file as proof of compliance.

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## Commission Response

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*Procurement and Contract Services (PCS) addressed the Vendor Compliance Verifications (VCVs) finding by ensuring that all agency Purchasers are trained to check and conduct all applicable VCVs before any purchase, contract award, or extension renewal, and save them in the appropriate file. The senior purchaser trained purchasing staff on these processes on Oct. 15, 2024.*

*As new staff is hired, the procurement division will develop an onboarding plan that includes this training to ensure that the appropriate vendor checks are included in the procurement file. The onboarding plan will be completed by Nov. 30, 2024.*

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## Missing TEC Certificate of Interested Parties (Form 1295)

Auditors identified one purchase transaction where the Commission did not obtain the required TEC Certificate of Interested Parties (Form 1295) from the vendor before contract award. According to the Commission, the omission occurred due to staffing issues; it did not have a designated contract manager at that time.

Certain contracts with a value of \$1 million or more require completion of Form 1295. The vendor must give the agency a completed, signed form with the certificate of filing number and date before the contract award, and the contract developer must acknowledge the form on the TEC website. It is best practice to mention Form 1295 in the solicitation to give the vendor time to gather the required information early in the process. See [Texas Government Code, Section 2252.908](#).

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## Recommendation/Requirement

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The Commission must ensure any vendor involved in contract awards of \$1 million or more completes Form 1295 on the [TEC website](#), unless the type of contract involved is exempt from this requirement.

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## Commission Response

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*Procurement and Contract Services (PCS) addressed the missing TEC Certificate of Interested Parties (Form 1295) by ensuring that all agency Purchasers are following procedures to ensure that Form 1295 are completed and filed for contract awards of \$1 million and above, before contract execution. The senior purchaser trained purchasing staff on these procedures on Oct. 15, 2024.*



*In addition, PCS will ensure that this step is included in all applicable job aids for purchasers for additional reference by Nov. 30, 2024.*

*As new staff is hired, the procurement division will develop an onboarding plan that includes this training to ensure that TEC Certificate of Interested Parties is properly used and included in the procurement file. The onboarding plan will be completed by Nov. 30, 2024.*

## Missing State Auditor's Office (SAO) Nepotism Disclosure Form

For one purchase transaction, the Commission failed to have procurement employees complete and sign the SAO nepotism disclosure forms before contract award. According to the Commission, the omission occurred due to staffing issues; it did not have a designated contract manager at that time.

The SAO defines purchasing personnel as employees of a state agency who make decisions on behalf of the agency or make recommendations about:

- Contract terms or conditions.
- Who a major contract will be awarded to.
- Preparation of a solicitation for a major contract.
- Evaluation of a bid or proposal.

See [Texas Government Code, Section 2262.004](#).

## Recommendation/Requirement

The Commission must ensure all procurement personnel involved in awarding contracts of at least \$1 million sign the SAO [disclosure statement](#). The signed statements must be retained in the procurement file.

## Commission Response

*Procurement and Contract Services addressed the missing State Auditor's Office (SAO) Nepotism Disclosure Form by training staff and ensuring that all agency Purchasers are following the solicitation compliance checklist that requires the purchaser to complete and file the SAO Nepotism Disclosure Form. The senior purchaser trained purchasing staff on this process on Sept. 20, 2024.*

*As new staff is hired, the procurement division will develop an onboarding plan that includes this training on the use of this form. The onboarding plan will be completed by Nov. 30, 2024.*



## Noncompliance With LBB Reporting Requirements

Auditors identified errors in the Commission's reporting to the LBB for five transactions in the purchase sample. One transaction was not reported to the LBB and three were reported late. Additionally, two transactions did not have the required written notification to the LBB for professional service-related contracts. The Commission stated the omissions were due to staffing and training issues.

The [General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#) requires state agencies that receive an appropriation under the GAA to report contracts over \$50,000 to the LBB, regardless of the funding source or method of finance associated with the expenditure, even if only non-appropriated funds will be used. Agencies must report to the LBB before the 30th calendar day after awarding a contract or granting an amendment, modification, renewal or extension.

Agencies must also give the LBB written notice of any contract for professional services, other than physician or optometric services, if the contract amount is over \$50,000, including any amendments, modifications, renewals or extensions. The notice must be filed no later than the 30th day after the agency enters into the contract. See [Texas Government Code, Section 2254.006](#) and the LBB's [contract reporting guidelines and requirements](#).

### Recommendation/Requirement

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The Commission must ensure it reports all applicable contracts to the LBB database and submits written notifications to the LBB for applicable contracts. The Commission must also ensure staff members are trained and will complete the requirements by the deadlines.

### Commission Response

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*Procurement and Contract Services (PCS) will address our noncompliance with the LBB reporting requirements by developing an agency policy and/or job aid on reporting contracts to the LBB database and training staff on this policy by Nov. 30, 2024.*

*As new staff is hired, the procurement division will develop an onboarding plan that includes this training to ensure that requirements for LBB reporting are understood. The onboarding plan will be completed by Nov. 30, 2024.*

## Missing Pre-Award VPTS Check and Failure to Report to VPTS

The Commission failed to conduct VPTS checks before the contract award for four purchase transactions. The Commission also failed to report to the VPTS as required at contract termination for nine purchase transactions and failed to report on a contract over \$5 million at least annually for one transaction. According to the Commission, the omissions were due to staff turnover.



Agencies must review vendor performance reports in the VPTS before awarding a contract to identify vendors with a history of poor performance and/or unethical business practices.

The SPD administers the VPTS for all ordering agencies per [34 Texas Administrative Code Section 20.115](#). The VPTS helps agencies evaluate vendor performance and reduce risk in the contract award process. Agencies are required to use the VPTS to determine whether to award a contract to a vendor.

Agencies must also report a vendor's performance to the VPTS once a contract over \$25,000 is completed or terminated. If the value of the contract exceeds \$5 million, the agency must review the contractor's performance at least once each year during the term of the contract and at each key milestone identified for the contract. See the [State of Texas Procurement and Contract Management Guide](#) – Vendor Performance Tracking System Check and Vendor Performance Reporting.

## Recommendation/Requirement

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The Commission must ensure procurement staff checks the VPTS before awarding a contract to a vendor. Staff must retain the VPTS review results, dated before contract award, in the procurement file. When the total value exceeds \$25,000, the Commission must also ensure staff assesses the vendor's performance and reports to the VPTS at contract completion or termination and at each key milestone.

## Commission Response

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*Procurement and Contract Services (PCS) will address the missing Pre-Award VPTS by attending Texas Comptroller of Public Accounts (CPA) Online Training to review the VPTS reporting requirements for our agency and developing a policy or job aid to serve as a reference by Dec. 31, 2024.*

*PCS contract managers will then devise a training for agency staff to help with future compliance by Dec. 31, 2024.*

## Travel Transactions

Auditors developed a sample of 25 travel transactions totaling \$16,337.18 and 10 travel card transactions totaling \$6,899.61 to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed the following exception for this group of transactions.





## Lack of Conservation of State Funds

In three employee travel reimbursements for overnight trips, the Commission did not minimize travel expenses by considering the most cost-effective options. The Commission reimbursed two employees for lodging that exceeded the General Services Administration rates and allowed one employee to book a rental vehicle that was not cost-effective because it was a larger vehicle than necessary for business purposes.

[Texas Government Code, Section 660.007\(a\)](#) and [Textravel – Conservation of State Funds](#) require state agencies to minimize travel expenses by ensuring each travel arrangement is the most cost-effective considering all relevant circumstances.

Agencies must also examine all travel reimbursement requests before payment to comply with regulations and limitations. See [Textravel – Responsibilities](#).

## Recommendation/Requirement

The Commission must develop procedures requiring travelers to complete and review cost comparisons before travel to safeguard state resources. The Commission must ensure it retains adequate supporting documentation to justify the validity of each payment.

## Commission Response

*Finance and Accounting Division is addressing the conservation of State funds by training staff and ensuring that travelers follow outlined procedures to conserve state funds.*

*THC Finance and Accounting held a travel training for staff on Oct. 17, 2024, that includes all travel guidelines and resources including the THC Business Travel Guide.*

*Finance and Accounting plans to reiterate the importance of the conservation of state funds and provide instructions for staff to choose the lower cost to state option for transportation in the quarterly travel training to ensure employees are aware of and choose the most cost-effective means of transportation.*

*The agency will also add travel resources and training to the agency's new hire orientation upon onboarding with the agency in November 2024.*

## Non-Overnight Travel Transactions

Auditors developed a sample of two travel transactions totaling \$127.69 to ensure the Commission complied with the GAA, [Textravel \(FPP G.005\)](#), internal policies and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.



## Improper Payment of Non-Overnight Meals

Auditors identified one instance of improper payment because the employee did not meet the requirements for non-overnight travel. The employee traveled for less than eight consecutive hours outside designated headquarters and was paid for meal expenses.

[Texas Government Code, Section 660.113\(b\)](#) requires employees to be outside their designated headquarters for at least six consecutive hours to be eligible for meal expense reimbursement. Also, the agency's internal policy requires employees to be away from their headquarters for more than eight consecutive hours to be eligible for meal expenses for non-overnight travel. According to the Commission, this error was due to an oversight.

### Recommendation/Requirement

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The Commission must provide increased training for staff that reviews travel vouchers to ensure only eligible expenses are reimbursed. The Commission must not reimburse employees for meal expenses when the travel requires less time away from headquarters than the Commission's and/or state's minimum for reimbursement.

### Commission Response

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*Finance and Accounting Division (FAD) addressed the improper payment of non-overnight meals by training staff on Oct. 17, 2024. As an additional safeguard the Finance and Accounting Officer will review the travel vouchers prior to adding them to the payroll batch for payment, which is scheduled to start after Nov. 4, 2024.*

*The agency is also ensuring that there is separation of duties by documenting a FAD policy that delineates roles by Nov. 30, 2024. For example, the employee entering the data on the payroll batch will not be the same employee approving the reimbursement request.*

## 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 the assets. All assets tested were in their intended locations and properly recorded in the State Property Accounting (SPA) System. Audit tests revealed no exceptions in these transactions.



## Refund of Revenue

Auditors developed a sample of two refund of revenue transactions totaling \$2,875 to ensure the transactions were supported by appropriate documentation and complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Grants

Auditors developed a sample of six grant transactions totaling \$3,960,896.15, then conducted a limited review of the Commission's transactions related to grant payments to verify the payments did not exceed the authorized amounts. The testing did not include a review of the Commission's procedures for awarding grants or monitoring payments made to grantees. 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 the Uniform Statewide Accounting System (USAS) and Citibank's 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. Audit tests revealed the following exceptions in the Commission's targeted analysis reports.

## Missing/Incorrect Direct Deposit Authorization Forms

Auditors conducted a review of the Commission's procedures to comply with the federal mandate to properly identify and handle payments that involve moving funds internationally. Auditors selected 10 vendors and employees for review; two direct deposit forms were missing from the reviewed sample. The Commission requested the forms from the two vendors but did not receive completed forms. Without a form on file, the Commission was unable to indicate whether state funds were forwarded to a financial institution outside the United States. One other form had the indicator checked as "yes." The Commission initially did not follow up with this; however, during the post-payment audit, it confirmed the "yes" was incorrectly entered on the form, and the vendor was not forwarding funds to international locations.

Due to Office of Foreign Assets Control requirements, the National Automated Clearing House Association has adopted rules for identifying and processing 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 being transferred to financial institutions outside the United States.

## Recommendation/Requirement

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The Commission must ensure all payees and vendors who request direct deposit payments submit a completed, signed Direct Deposit Authorization form. Additionally, the Commission must review and modify its processes to ensure staff follows the Office of Foreign Assets Control requirements.

## Commission Response

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*The Finance and Accounting Division (FAD) will develop a policy or procedure to document how direct deposit authorization forms are checked for completion and ensure only current forms are being utilized by Nov. 30, 2024. If the agency receives an alternative authorization form for a direct deposit set-up or change, the current direct deposit authorization form will be provided to the entity for completion prior to any set-up or change being entered into the TINS system for vendors.*

## Inappropriate Dual Employment Process

During the audit period, auditors identified three employees who were engaged in dual employment. The employees notified the Commission about their dual employment status, but the Commission failed to verify the information and could not produce documentation of verification.

When an employee seeks dual or multiple employment, the employee must inform the current and potential employing entities before accepting additional employment. The current employer must explain dual and/or multiple employment requirements to the employee and is also responsible for contacting the new employer to coordinate work schedules and ensure the employee is paid or credited for any time worked over 40 hours per week. It must also ensure benefits such as insurance, leave and lifetime service credit provided to a person employed by more than one agency do not exceed the benefits provided for a single full-time employee. See [Texas Payroll/Personnel Resource – Dual or Multiple Employments](#) and [Texas Government Code, Sections 667.006 and 667.007](#).





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## Recommendation/Requirement

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The Commission should establish an official method to document employee notification of potential dual or multiple employment, such as a form or an internal system, and should have its human resources and/or payroll departments follow up on these notifications by contacting the existing or potential dual employer. It should also establish a policy to ensure employees are aware of the requirements and will complete the dual employment notification form/internal system information when applicable.

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## Commission Response

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*The Human Resources (HR) Division will continue to address and educate employees about “outside or dual employment” through communications and training. HR expects to craft and send an agency informational email by Nov. 30, 2024, to all staff to begin this education process.*

*In addition, as of November 2024, information regarding dual employment process has been included in the onboarding process.*

*The HR Division is in the process of incorporating quality control measures using the State Employees Employed by More Than One State Agency report to help us identify those employees at another agency or institution of higher education (USPS Report), and expects to full adopt this by Nov. 30, 2024.*



# 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 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 Texas Historical Commission (Commission) payroll, purchase and travel transactions that processed through the statewide financial systems from Sept. 1, 2022, through Aug. 31, 2023, to determine compliance with applicable state laws.

The Commission received appendices with the full report including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

***Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.***

The audit provides a reasonable basis for the findings set forth in this report. The Commission should implement the recommendations listed in the Detailed Findings of this report. It is the Commission's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Commission's documents comply in the future. The Commission must ensure that the findings discussed in this report are resolved.

### Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.



## Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

## Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## Audit Team

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*Angelica Villafuerte, CGAP, CTCD*

*Mayra V. Castillo, CTCM, CTCD*



## 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.