



An Audit of the **Texas Juvenile Justice Department**

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas Juvenile Justice Department (Department):

- 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.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from June 1, 2022, through May 31, 2023.

Background

The Texas Juvenile Justice Department formed in 2011, when the Texas Legislature combined the functions of the Texas Youth Commission and the Texas Juvenile Probation Commission. It is charged with keeping communities safe through its role helping high-risk youthful offenders reform and find a more successful future.

Texas Juvenile Justice
Department website
<https://www.tjjd.texas.gov>


Audit Results

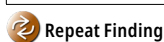
The Department generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll transactions. However, the Department should consider making improvements to its procurement and travel processes.

Auditors reissued three findings from the last audit conducted at the Department related to the underpayment or nonpayment of late payment interest, the incorrect processing of third-party transactions, and Confidential Treatment of Information Acknowledgment (CTIA) forms signed after employees accessed the system. Auditors originally issued these findings in November 2016. An overview of audit results is presented in the following table.



Table Summary

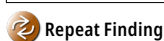
Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Purchase and Payment Card Transactions	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Incorrect/incomplete procurement process.• Contract renewal/extension not solicited competitively.• Missing proprietary purchase justification.• Best value not achieved for procurement.• Missing vendor compliance verifications.•  Prompt payment and payment scheduling errors.• Failure to report to the Vendor Performance Tracking System.• Late reporting to the Legislative Budget Board.	Noncompliant
Travel and Travel Card Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Lack of conservation of funds/missing cost comparisons for mileage.• Improper payment of non-overnight meals.• Unauthorized use of state travel card.• Missing signature on travel voucher.	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting System?	Lack of inventory control	Compliant, Findings Issued
Grant Transactions	Did grant transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant



Repeat Finding



Area	Audit Question	Results	Rating
Targeted Analysis	Did targeted analysis transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">➤ Overpayments made to employees.<ul style="list-style-type: none">• Incorrect processing of third-party transactions.• Incorrect format on charge card invoice number and description.• Incomplete/missing Direct Deposit Authorization forms.➤ Late signature on Confidential Treatment of Information Acknowledgment forms.	Compliant, Findings Issued



Repeat Finding

Key Recommendations

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

- The Department must ensure staff uses the correct procurement process when selecting a vendor.
- The Department must ensure staff competitively solicits contracts during the procurement process and before renewals or extensions.
- The Department must document the proper proprietary justification for sole source procurements.
- The Department must ensure procurement decisions are based on the best value.
- Staff must conduct all vendor compliance checks before any purchase, contract award, extension or renewal.
- The Department must comply with prompt payment and payment scheduling policy to avoid paying early or late, and to avoid paying excessive amounts of interest.
- The Department must ensure staff reports all purchases over \$25,000 to the Vendor Performance Tracking System.
- The Department must report all contracts to the Legislative Budget Board (LBB) as required and must submit written notifications to the LBB for applicable contracts.
- The Department must develop procedures to ensure travelers complete cost comparisons and have them approved before travel to safeguard state resources.
- The Department must ensure non-overnight meals are reimbursed appropriately.
- The Department must ensure the state-issued travel card is not used for personal expenses.



- The Department must ensure all travel vouchers are signed by the employee seeking reimbursement.
- The Department must submit an accurate inventory report of fixed assets to the State Property Accounting (SPA) system in a timely manner.
- The Department must ensure staff calculates and reconciles payments correctly to prevent overpayments.
- The Department must ensure staff uses the correct transaction code and Texas identification number on reimbursement payments.
- The Department must ensure the correct information is in the payment card invoice number and description fields.
- The Department must ensure its procedures prevent users from accessing any of the statewide financial systems before completing a CTIA form.
- The Department must 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 \$286,723.88 from a group of 20 employees and 134 payroll transactions to ensure the Department complied with the GAA, Texas Payroll/Personnel Resource (FPP F.027) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

Purchase/Procurement and Payment Card Transactions

Auditors developed a sample of 24 purchase/procurement transactions totaling \$5,177,387.74 and 25 payment card transactions totaling \$88,998.15 to ensure the Department complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Incorrect/Incomplete Procurement Process

The Department's procurement process was incorrect in two instances, and there was one instance of an incomplete procurement process.

In the first instance, the Department made a purchase that it labeled as an automated information system (AIS) by the National Institute of Governmental Purchasing (NIGP) code listed on the purchase order; the overall contract value exceeded \$5 million.

According to the [State of Texas Procurement and Contract Management Guide](#), an agency may not enter into a contract to purchase a commodity item through the Department of Information Resources (DIR) Cooperative Contracts Program if the value of the contract exceeds \$5 million. The guide also states that a request for offers (RFO) procurement method is the designated, primary purchasing method for procuring an AIS aside from DIR's IT commodity program.

The Department incorrectly made this purchase through the DIR Cooperative Contracts Program by sending an RFO email to five vendors who each had an active DIR cooperative contract at the time; the Department did not post to the Electronic State Business Daily (ESBD). However, the solicitation should have gone out to vendors on the Centralized Master Bidders List (CMBL) based on CMBL search results. According to the Department, the error occurred because the budget was not determined in the procurement stage.

In the second instance, the Department did not research the Texas Multiple Award Schedule (TXMAS) Program contracts available on Texas Smart Buy as required. Auditors determined that TXMAS contracts that might have fulfilled this procurement existed. The Department stated that its contracts department did not find documentation of TXMAS outreach.



In the third instance, the Department used the invitation for bids (IFB) procurement method. According to the *State of Texas Procurement and Contract Management Guide*, responses to an IFB should be recorded in a bid tabulation, and the bid tabulation is subject to public disclosure under the Texas Public Information Act. The Department indicated that the bid tabulation was missing.

If an agency does not consistently create and retain bid tabulations for its procurements, it will be unable to fully respond to public information requests, which hampers the transparency of procurement practices in state government.

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 may result in a void contract that must be resolicited. See the *State of Texas Procurement and Contract Management Guide* – Procurement Method Determination for more information.

Recommendation/Requirement

The Department must review and revise its procurement process to improve compliance with the state's procurement rules. Specifically, the Department must follow the *State of Texas Procurement and Contract Management Guide* to identify the most suitable procurement method for each purchase and must correctly perform and document all applicable steps for that method.

In addition, the Department must consistently retain procurement documents in accordance with state rules and requirements.

Department Response

Staff will complete targeted training on the State of Texas Procurement and Contract Management Guide, focusing on procurement methods, documentation standards, and document retention requirements. A standardized procurement checklist will be implemented, and quarterly refresher training will be scheduled.

Contract Renewal/Extension Not Solicited Competitively

In one purchase transaction reviewed, the Department renewed and extended an existing contract for services with a vendor without competitively resoliciting the services. This contract was amended for an extension from Oct. 1, 2022, through Sept. 30, 2023, and then amended again for an extension from Oct. 1, 2023, through Sept. 30, 2024.

According to the Department, staff began attempting to resolicit this contract after fiscal 2020. However, staff has been unable to finalize solicitation language, and there were also some concerns about funding and budgeting.



Although [Texas Government Code, Section 2155.143](#) authorizes the Department to purchase care and treatment services, including educational services, for its wards, other sections of Chapter 2155 that establish competitive bidding requirements still apply to those purchases. The *State of Texas Procurement and Contract Management Guide* also recommends that state government contracts should have an end date, which may include a fixed number of renewals. A contract that continues to be renewed and extended beyond the recommended four to five years, without competitive resolicitation, is inconsistent with best practices in state government procurement.

Recommendation/Requirement

The Department must use a competitive process in its procurements, including the decision to potentially renew or extend existing contracts, in order to ensure best value. If an existing contract is renewed or extended without going through a competitive solicitation, the business justification/rationale must be fully documented in the procurement file.

Department Response

Staff will undergo comprehensive training on contract renewal and extension procedures. A review process requiring competitive solicitation documentation or justification will be established and monitored by the compliance team.

Missing Proprietary Purchase Justification

In one of the purchase transactions reviewed, the Department made a competitive proprietary purchase. The purchase order issued by the Department called for a specific product from a specific manufacturer that was available from multiple vendors, so a proprietary purchase justification is required.

According to the *State of Texas Procurement and Contract Management Guide – Proprietary Purchases*, a proprietary purchase is a purchase whose specifications or conditions are exclusive to one vendor and do not permit an equivalent product or service to be supplied.

When a specification for a proposed purchase is drafted so narrowly that there is only one product or vendor eligible for contract award, the agency must document the rationale for the restrictive specification by placing a written proprietary purchase justification in the procurement file.

The Department did not prepare a proprietary purchase justification because staff inaccurately believed that the purchase was not proprietary since it had been posted on the ESD for regular bidding.



Recommendation/Requirement

The Department must document its justification for making proprietary purchases, whether they are sole source proprietary purchases or competitive proprietary purchases. The Department should also consider additional training for its purchasers and end users on the definition of and requirements for proprietary purchases.

Department Response

Staff will receive specialized training on proprietary purchases, including when they apply and how to properly document them. A revised justification form will be required for all proprietary purchases, and supervisors will conduct regular reviews.

Best Value Not Achieved for Procurement

In one purchase transaction, the Department paid for maintenance of a leased property as required by the leasing contract. However, instead of retaining contractors to perform the maintenance work, the Department paid the landlord. In exchange, the landlord signed a release so that the Department had no further obligations under the leasing contract.

In reviewing the supporting documentation provided by the Department, auditors noted that the lowest-cost option for the Department to retain contractors to perform the maintenance work would have been about \$36,567. By having the landlord perform the maintenance work instead, the Department paid \$55,600, which was \$19,033 more.

According to the Department, staff had decided to terminate the lease, and there was not enough time to procure services and complete the maintenance work before lease termination. The Department would have had to extend the lease, which would have been more costly.

Based on the Department's explanation, auditors determined that the excess cost of \$19,033 resulted from the Department's inadequate planning and poor timing in terminating the lease. If the termination had been planned well in advance, there would have been adequate time for the Department to retain contractors to perform the required work without a lease extension.

According to the *State of Texas Procurement and Contract Management Guide* – The Procurement Cycle, vendor selection requires state agencies to choose the vendor that provides the best value to the state, so procurement personnel must use the best-value standard as the basis for the contract award.



Recommendation/Requirement

The Department must consistently seek the best value in its procurements. Although monetary cost is not the only consideration, using a higher-cost option should be supported by a reasonable rationale, and procurements (including contract terminations) should be planned well in advance to help ensure best value.

Department Response

Staff will receive specialized training on proprietary purchases, including when they apply and how to properly document them. A revised justification form will be required for all proprietary purchases, and supervisors will conduct regular reviews.

Missing Vendor Compliance Verifications

The Department was unable to provide proof, such as a screen print, of the vendor compliance verifications (VCVs) for 18 transactions. The Department must provide dated proof it performed each verification. The following checks lacked supporting documentation:

Debarment Check

For five transactions, debarment check documentation was either missing or the checks were performed late.

Agencies must check the [Debarred Vendor List](#) on the Comptroller's website before contract award to confirm the vendor has not been debarred by the Statewide Procurement Division (SPD). See the [State of Texas Procurement and Contract Management Guide](#) – Debarment Check for more information.

[Texas Government Code, Section 2155.077](#) states that 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.

SAM and OFAC Checks

Agencies must check the System for Award Management (SAM) database to verify that a 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 (OFAC) master list of specially designated nationals and blocked persons (with limited exceptions). See [executive order 13224](#). Three transactions were missing documentation of these checks.



Iran, Sudan and Foreign Terrorist Organization Checks

For eight transactions, the Department did not maintain documentation that staff performed these checks. In addition, the Department was unable to provide a justification for omitting some of the checks when asked for one.

Agencies may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. Agencies must check the divestment lists posted on the Comptroller's website before contract award to confirm the potential awardee is not in violation of this requirement. If the potential awardee is on the list, an agency cannot award the contract to the that vendor. See [Texas Government Code, Sections 2252.152, 2252.153](#) and [2270.0201](#).

Boycott Israel Check

For nine transactions, the Department did not maintain supporting documentation that staff performed this check and did not provide a justification for omitting the check when asked for one. Agencies may not contract with a company for goods or services unless the contract contains a written verification that the company does not boycott Israel and will not boycott Israel during the term of the contract.

Additionally, 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

For seven transactions, the Department did not maintain supporting documentation that staff performed this check. In addition, the Department did not provide a justification for omitting some of the checks when asked for one.

Agencies may not contract with a company for goods or services unless the contract contains a written verification that the company does not boycott energy companies and will not boycott energy companies during the term of the contract.

Additionally, 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. See the *State of Texas Procurement and Contract Management Guide – Energy Company Boycott Check*.

Missing Warrant Hold Check

For six of the 15 payment card transactions reviewed, the Department did not check the vendor's warrant hold status before making a purchase over \$500.



The Department must check warrant hold if a payment card purchase is over \$500. See [TexPayment Resource – Hold Inquiry Screens](#), [TexPayment Resource – Payment Card Purchases](#) and [State of Texas Procurement and Contract Management Guide](#) – Warrant/Payment Hold Check for more information.

When an agency does not check a vendor's warrant hold status before purchase or contract award, it risks conducting business with unauthorized vendors.

Recommendation/Requirement

The Department must consistently perform all applicable VCVs before any purchase, contract award, extension and/or renewal and must retain dated results from the specified website in each of its purchase, procurement or contract files as proof of compliance.

Department Response

Staff will be trained on how to perform and document all required vendor compliance verifications. Procurement files will include mandatory verification printouts, and supervisors will perform regular compliance spot checks.

Prompt Payment and Payment Scheduling Errors

Prompt Payment

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

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

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

For 14 of 15 payment card transactions reviewed, the Department either underpaid or did not pay late payment interest to Citibank.

In all instances, part of the reason payments were late was that the Department processes payments to Citibank based on the date it receives paper statements each month. Because Citibank makes credit card statements available to state agencies online by the 4th of each month, for purposes of the prompt payment



law, the 30-day payment period begins on the 4th. However, the Department stamps paper statements received in the mail and uses the stamp dates as the beginning of the 30-day payment period.

Auditors also noted two overpayments of interest. One occurred because the Department entered an incorrect due date to calculate interest. The Department could not identify a cause for the second overpayment.

In addition, the Department processed \$30,883.74 in actual prompt payment interest during the audit period.

Payment Scheduling

[Texas Government Code, Section 2155.382\(d\)](#) authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office determines when advanced scheduling is allowed or required, and does require advanced scheduling of payments when it benefits the state.

Auditors noted two instances of payments that were not scheduled. In one instance, the Department stated that it scheduled utility payments before the due date to avoid service interruption and allow for mailing time to the vendor. The Department did not provide a reason for the second instance.

According to eXpendit's [Payment Scheduling](#) rules, all utility service payments may be scheduled for distribution based on the utility company dates. The policy also allows agencies to schedule their payments early based on the invoice's due date, but no earlier than that.

Recommendation/Requirement

The Department must review its procedures to ensure staff both submits payment information for processing and releases payments in a timely manner to avoid incurring interest liabilities. The Department must verify proper due dates or invoice dates are entered to ensure any interest due is calculated and paid correctly. See [eXpendit – Prompt Payment](#) for more information.

Also, to minimize the loss of earned interest to the state treasury, the Department must follow the payment scheduling policy and schedule all payments greater than \$5,000 for the latest possible distribution in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#). The Department should set vendors up for direct deposit to avoid delays in mailing payments and ensure payments are received by the due date.



Department Response

Payment staff will be trained on expenditure scheduling rules and prompt payment laws. New internal controls will require verification of due dates and payment scheduling before processing. Direct deposit setups will be prioritized to prevent mailing delays.

Failure to Report to the Vendor Performance Tracking System (VPTS)

The Department failed to submit a vendor performance report to the VPTS in 19 instances after a purchase, contract or amendment/extension/renewal ended. The Department stated it had not instructed staff to submit reports to the VPTS at the required frequency.

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. The system relies on agency participation to gather information on vendor performance. Agencies must report vendor performance to VPTS when a contract over \$25,000 is completed or otherwise terminated. If the contract value exceeds \$5 million, the agency must review and report 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 for more information.

Recommendation/Requirement

The Department must consistently report purchases and contracts to the VPTS to identify suppliers demonstrating exceptional performance, help purchasers make a best-value determination based on past performance, and protect the state from vendors with unethical business practices. Reporting also identifies vendors with repeated delivery and performance issues, provides performance scores in four measurable categories for Centralized Master Bidders List (CMBL) vendors, and tracks vendor performance for delegated and exempt purchases.

Staff training programs and related documentation should include instructions on using and reporting to the VPTS.

Department Response

Staff will receive training on VPTS requirements and reporting procedures. VPTS reporting will be incorporated into the contract closeout checklist, and supervisors will verify entries have been made before contract closure.



Late Reporting to the Legislative Budget Board

In 13 instances, the Department either did not submit the required contract reporting and documents to the Legislative Budget Board (LBB) after contract award or amendment/extension/renewal, or submitted them late.

According to the LBB's [reporting requirements](#), reporting is due within 30 days of award or amendment.

The [General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#) requires state agencies that receive an appropriation to report contracts over \$50,000 to the LBB, regardless of the funding source or method of finance associated with the expenditure. This requirement applies even if only non-appropriated funds are expended. The submission must include required documentation such as the award, solicitation documents, renewal, amendments, addendums, extensions, attestation letters and certain types of supporting records related to contracts. When amendments are added to an existing contract, the contract identification number should remain the same for LBB reporting purposes. See the LBB's [Contract Reporting Guide](#) for more information.

Recommendation/Requirement

The Department must report all applicable contracts to the LBB to comply with the [GAA, Article IX, Section 7.04](#) and the LBB Contract Reporting Guide. If the Department reports to the LBB's contracts database via automatic system processes, staff must also ensure system configurations are corrected and maintained. The Department should also have manual processes in place to confirm that reporting is done consistently and in a timely manner.

Department Response

Staff will be trained on the LBB reporting process, including how to use both automated and manual submission procedures. Internal controls will be established to ensure consistent and timely reporting.

Travel and Travel Card Transactions

Auditors developed a sample of 20 travel transactions totaling \$16,809.16 and 15 travel card transactions totaling \$27,485.35 to ensure the Department complied with the GAA, [TexTravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.



Lack of Conservation of State Funds/Missing Cost Comparisons for Mileage

For four travel vouchers, travelers were reimbursed for mileage of personal vehicles they used to conduct official business. However, they did not complete cost comparisons before the trips to determine the most cost-effective travel method. To determine the most cost-effective, reasonably safe route, a state agency may consider the route that provides the shortest distance, the quickest drive time or the safest road conditions. Auditors determined the state would have saved a total of \$1,474.63 if the employees had used rental vehicles instead of personal vehicles. This determination was based on a comparison of the car rental rates, taxes, cost of gas and standard mileage rates in effect at the time of travel. The Department stated that this problem was due to employee error; the employees completed the cost comparisons, but failed to retain the documentation and failed to include a justification for not using the most cost-effective method.

[Texas Government Code, Section 660.007\(a\)](#) requires state agencies to minimize the amount of travel expenses paid or reimbursed. Each agency must ensure each travel arrangement is the most cost effective considering all relevant circumstances. Agencies must examine all travel reimbursements before payment to ensure compliance with applicable regulations and limitations. See [Textravel – Responsibilities](#) and [Textravel – Mileage Calculation](#) for more information.

Recommendation/Requirement

The Department should consider restricting the mileage reimbursement amount to the lower of mileage reimbursement or car rental costs. Travelers can complete and document the analysis with the [Rental Vehicle vs. Mileage Reimbursement Calculator](#) or any other method the traveler or agency chooses to use. In addition, the Department must require a cost analysis before management approves travel plans to ensure travelers use the most cost-efficient method of travel, considering all relevant circumstances.

Department Response

Staff will be trained to use the Rental Vehicle vs. Mileage Reimbursement Calculator and complete cost comparisons prior to approving travel. Approvers will be required to confirm and document cost-effective travel options.

Improper Payment of Non-Overnight Meals

Auditors identified one meal reimbursement that was in excess of the expense. According to the Department, this error was due to an oversight and a transcription error in recording the expense.

Meal expenses for board members are only reimbursable for the actual amount of the expense incurred. See [Human Resources Code, Section 202.007](#).



Recommendation/Requirement

The Department must ensure the correct amount is reimbursed, and should consider improving its processes to help prevent errors.

Department Response

Travel processing staff will receive training to clarify reimbursement rules for non-overnight meals. AP manager will review all non-overnight meal reimbursement requests.

Unauthorized Use of State Travel Card

Auditors identified two instances of employees using their state-issued travel card to purchase personal items not related to official state business travel. In one instance, the staff member was unable to identify the charge and reimbursed the Department. In the other instance, the employee did not seek reimbursement and paid the bill directly. According to the Department, no state funds were used for these purchases. It will instruct the Travel Section to reiterate to agency staff that the state travel cards should not be used for personal purchases.

Per [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#), state agencies must cancel a state-issued travel card when an employee fails to pay the charges in a timely manner, uses the card for personal transactions, or misuses the card in any way. The current state credit card administrator, Citibank, offers reports that can help agencies monitor employee travel card use.

Recommendation/Requirement

The agency must monitor state-issued travel card transactions to ensure they comply with applicable rules and requirements.

Department Response

Staff will complete mandatory training on the appropriate use of state-issued travel cards. Travel card transactions will be reviewed monthly, and unauthorized usage will result in corrective action.

Missing Signature on Travel Voucher

In the travel sample, five transactions had travel vouchers that were missing the traveler's signature. According to the Department, this resulted from staff not checking the lodging option when submitting the travel services request form, and oversight.

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



Recommendation/Requirement

The Department must improve travel voucher training to ensure completed travel vouchers include travelers' signatures to comply with documentation requirements defined in [Texttravel](#).

Department Response

Staff will be trained on travel documentation requirements. Unsigned forms will be flagged for correction prior to approval.

Fixed Assets

The audit included a review of 10 fixed assets acquired during the audit period to test for accurate reporting and to verify the existence of the assets. Accuracy of fixed assets was tested through internal inventory reports, State Property Accounting (SPA) system reports and annual and quarterly certifications of inventory tracking and reporting. Audit tests revealed the following exception for this group of transactions.

Lack of Inventory Control

Auditors noted 51 unreconciled inventory (fixed asset) items listed as missing internally, but these assets were not on the SPA list of missing assets. In addition, 85 inventory items on the SPA list were not correctly coded with the code for missing, lost and stolen items. They were coded in SPA under code 19, which gives the agency two years to research the proper recording status of an item, but the agency exceeded the two-year limit. Also, all 189 inventory items listed as missing lacked an "as of" missing date for proper tracking and reconciling status with SPA. In addition, nine items listed dollar values on the internal inventory reports that were different than the values on the SPA reports.

Recommendation/Requirement

The Department must review current inventory reports and update the reports with any new counts, reconcile which inventory items are incorrect, and establish a timeline and process for finding missing or stolen items. The Department should also determine which inventory items need to be written off and work with SPA staff to update the proper inventory counts, status and values.

Department Response

Property staff will complete training on inventory reconciliation, SPA procedures, and theft/loss reporting. A full inventory review will be conducted, and monthly spot checks will be scheduled to maintain accountability.



Grant Transactions

Auditors developed a sample of five grant transactions totaling \$4,628,982.00 for a limited review of the Department's transactions related to grant payments. The review consisted of verifying that the payments did not exceed the authorized amounts. The review did not include evaluation of the Department's procedures for awarding the 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 USAS, Citibank or other systems accessible by the Comptroller's office, auditors generate special reports to analyze additional processes relevant to the audited entity. 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 Department's targeted analysis reports.

Overpayments Made to Employees

Auditors reviewed a USAS/SPRS gross salary overpayment report of possible overpayments made to employees. The review showed that 13 employees were paid a combined total of \$25,309.49 more than their regular earnings. Department management cited late personnel action request (PAR) submissions as the main reason for these overpayments.

Recommendation/Requirement

The Department should contact these individuals and work out a repayment plan if possible. Additionally, it should develop an internal review procedure to catch these errors before incorrect payouts occur.

Department Response

Staff will be trained to identify and prevent overpayments using a new internal review process. Affected employees will be contacted, and repayment plans will be coordinated where appropriate.

Incorrect Processing of Third-Party Transactions

Auditors identified 143 transactions that were processed with an incorrect transaction code (T-code) and an incorrect Texas identification number (TIN). The Department made the payments to the payment card vendor using the non-specific payment card TIN to process the transactions. The non-specific TIN should only be used on third-party payment card transactions if the TIN/mail code is unknown for a specific vendor and all efforts to obtain the vendor's TIN are unsuccessful.



The Department also processed 18 transactions using T-code 225 instead of T-codes 247/904. T-code 247 should be used to record the TIN of the vendor supplying the Department with goods or services, and T-code 904 should record the TIN of the entity that will receive the payment. The Department was not aware of the T-code requirements.

The use of proper T-codes is necessary to capture the actual name of the vendors doing business with the state. The Comptroller's office captures vendor-level detail in USAS for public information requests, historically underutilized business (HUB) reporting and more. Improper processing procedures can result in inaccurate expenditure reporting for public information requests. A correct TIN is also necessary to identify the actual vendor/individual doing business with the state. See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\) \(login required\)](#) for details about how state agencies must use T-codes, TINs and comptroller objects to process third-party payments through USAS.

Recommendation/Requirement

The Department must enhance its procedures to ensure payments for third-party transactions are processed in accordance with FPP A.043. This information is essential for an accountable and open government. It is also used for public information requests and post-payment auditing purposes.

Department Response

Staff will receive training on the proper procedures for processing third-party transactions in compliance with FPP A.043.

Incorrect Format on Charge Card Invoice Number and Description

Auditors ran a report to identify any payments processed incorrectly to third-party vendors during the audit period and determined 137 of 235 payments processed incorrectly to the state's payment card vendor. The incorrect payments totaled \$393,473.31. The Department failed to correctly format the billing account number in the invoice field as prescribed by [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\) \(login required\)](#) and [USAS and CAPPS Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the payment card vendor may not be able to directly post payments to the Department's payment and travel card accounts. The Department has reviewed and corrected the errors.



Recommendation/Requirement

The Department must enhance its procedures to ensure payments for third-party transactions are processed in accordance with FPP A.043 and FPP E.023. To avoid any account delinquency or reconciliation issues, the Department should review payment card statements to ensure the payments were posted correctly.

Department Response

Staff will receive training on the proper procedures for processing third-party transactions in compliance with FPP A.043 and FPP E.023.

Incomplete/Missing Direct Deposit Authorization Forms

Auditors reviewed the Department's procedures for complying with the federal mandate to properly identify and handle payments involving the international transfer of funds.

Of the 11 employee direct deposit forms requested and reviewed, one did not have the International Payments Verification section completed. Without a properly completed form on file, the Department is unable to determine whether state funds were forwarded to a financial institution outside the United States. Additionally, six required Direct Deposit Authorization forms were missing.

International automated clearing house transactions (IATs) are payments destined for a financial institution outside the United States. Because of federal requirements mandated by the Office of Foreign Assets Control (OFAC), the National Automated Clearing House Association has adopted specific rules for identifying and processing this type of direct deposit payment.

To avoid 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 it issues to accounts at U.S. financial institutions are not being transferred to financial institutions outside the United States.

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

The Department had relied on direct deposit information from TINS and believed that was adequate.



Recommendation/Requirement

The Department must ensure all payees who request payment by direct deposit complete and sign the Direct Deposit Authorization form and answer the IAT-related question. A Direct Deposit Authorization form should not be processed if the IAT section is blank or if the form is unsigned.

Department Response

Staff will be trained to verify completion of all required fields on the Direct Deposit Authorization Form, including the IAT section. Forms missing information will be returned for correction and flagged in the system.

Late Signature on Confidential Treatment of Information Acknowledgment (CTIA) Forms

Auditors evaluated the Department's compliance with the requirement that all agency users of the Comptroller's statewide financial systems complete a CTIA form. See [Access Requirements for Comptroller Systems \(FPP K.015\)](#) for more information. A state agency is a custodian of public and confidential information. When a new user needs access to Comptroller systems, the agency's security coordinator has the user read and sign the most recent version of the CTIA form. The agency's security coordinator must keep it on file for as long as the user has access to the systems plus five years.

Audit tests revealed two employees whose CTIA forms were signed after the date of the employees' first connection to the statewide financial systems.

The unauthorized disclosure or misuse of confidential information could lead to fines and/or imprisonment, according to [Texas Government Code, Section 552.352](#).

Recommendation/Requirement

The Department must enhance its procedures to ensure no user accesses any of the statewide financial systems before completing a CTIA form. It must also ensure the original CTIA form is kept on file as long as the user has access to the statewide accounting systems plus five years.

Department Response

All users will be required to complete and sign a CTIA form before gaining system access. Staff will be trained on form requirements, and access will be blocked until the completed form is received and filed.



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.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the Texas Juvenile Justice Department (Department) payroll, purchase and travel transactions that processed through the statewide financial systems from June 1, 2022, through May 31, 2023, to determine compliance with applicable state laws.

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 Department 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.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department'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 Department's documents comply in the future. The Department 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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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.