



AN AUDIT OF THE TEXAS ALCOHOLIC BEVERAGE COMMISSION

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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

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

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

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

BACKGROUND

The Commission regulates all phases of the alcoholic beverage industry in Texas. The commission's duties include regulating the sale, taxation, importation, manufacturing, transport and advertisement of alcoholic beverages.

**Texas Alcoholic Beverage
Commission website**
<https://www.tabc.texas.gov/>

AUDIT RESULTS

The Commission generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with property management or refunds of revenue. However, the Commission should consider making improvements to its payroll, procurement and travel processes.

Auditors reissued three findings from the previous audit conducted at the Commission related to longevity and hazardous duty payments, procurement method and vendor compliance verifications. Auditors originally issued these findings in April 2019. A follow-up audit of the Commission was held in May 2022; these findings were also present in the follow-up audit. 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?	 Incorrect state effective service date and lifetime service credit/incorrect longevity pay and hazardous duty pay	Compliant, Findings Issued
Purchase and Payment Card Transactions	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	• Missing public notice of contract solicitation and award. • Missing compliance with Centralized Master Bidders List (CMBL) requirements. • Noncompliance with requirements to consider historically underutilized businesses (HUBs). • Missing pre-award Vendor Performance Tracking System (VPTS) check and failure to report to VPTS.  Incorrect procurement method used.  Missing warrant hold checks. • Prompt payment and payment scheduling errors.	Compliant, Findings Issued
Travel Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Employee was overpaid for travel expenses	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting System?	No issues	Fully Compliant
Refunds of Revenue	Did refund of revenue transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Targeted Analysis	Did targeted analysis transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Incomplete Direct Deposit Authorization forms	Compliant, Findings Issued

 Repeat Finding



KEY RECOMMENDATIONS

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

- Ensure staff verifies prior state service time for employees and confirms whether the prior service was in a hazardous duty pay eligible position. In addition, ensure prior service verifications are accurate and that staff properly documents and maintains them in the personnel files.
- Comply with Electronic State Business Daily solicitation posting requirements and retain evidence of compliance in the procurement file.
- Follow state procurement statutes and rules by using the Centralized Master Bidders List (CMBL) for all purchases, including services that competitive bidding or competitive sealed proposals are required for. Also include a copy of the dated CMBL search results and the solicitation notification to qualified CMBL vendors in the procurement file to document the CMBL use.
- Ensure compliance with historically underutilized business (HUB) requirements.
- Ensure staff checks the Vendor Performance Tracking System (VPTS) before awarding a contract to a vendor and ensure staff reports vendor performance to the VPTS once a contract is completed or terminated and at additional intervals as required.
- Ensure staff uses set-aside programs for purchasing goods and services and follows all requirements when opting out of these programs.
- Ensure staff checks each vendor's warrant hold status before any applicable payment card purchase.
- Minimize late payment interest charges by processing payments in compliance with state law and calculating accurate due dates. In addition, minimize the loss of unearned interest by following the scheduling law so payments are paid on the latest possible distribution date.
- Ensure travel payments and reimbursements are correct and comply with all applicable regulations and limitations. Provide travel training to employees who travel and review/approve travel expenses.
- Ensure vendors comply with direct deposit authorization requirements before distributing payments.



DETAILED FINDINGS

PAYROLL TRANSACTIONS

Auditors developed a sample totaling \$642,767.26 from a group of 25 employees and 161 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 AND LIFETIME SERVICE CREDIT/INCORRECT LONGEVITY PAY AND HAZARDOUS DUTY PAY

Auditors identified two employees who received incorrect entitlement payment amounts.

The first employee had an incorrect state effective service date. The Commission had the prior state service verification from the previous agency on file, but the termination date was incorrect in the Centralized Accounting and Payroll/Personnel System (CAPPS), resulting in a longevity pay overpayment of \$100.

The second employee was not credited with state service time for a prior hazardous duty employment, so the hazardous duty lifetime service credit recorded by the Commission was incorrect. This resulted in a hazardous duty pay underpayment of \$10,770. The same employee also received longevity pay in error. The employee did have prior state service in a nonhazardous position, but only six months. The remaining period at the prior agency as well as the employment with the Commission from the initial date of hire, May 4, 2014, were in hazardous duty eligible positions, making the employee ineligible for longevity pay. This resulted in a longevity pay overpayment of \$10,160. Overall, the employee was underpaid \$610.00.

According to the Commission, the incorrect state service dates resulting in incorrect payments of hazardous duty and longevity pay occurred as a result of an undiscovered data entry error from 2014 in the legacy Uniform Statewide Payroll/Personnel (USPS) system. The Commission has corrected the state service dates in CAPPS for both employees.

Longevity pay is an entitlement based on total state service; it is paid to eligible employees each month in addition to base salary. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

Lifetime service credit reflects an employee's entire time of state service and is used to determine the amount of longevity pay an individual may be eligible to receive. See [Texas Payroll/Personnel Resource – Lifetime Service Credit](#).



Certain state employees perform hazardous duties and are eligible for hazardous duty pay. An employee who receives both hazardous duty and longevity pay continues to receive longevity pay based on the years worked in a non-hazardous duty position. See [Texas Payroll/Personnel Resource – Hazardous Duty Pay](#).

When an agency hires an employee, the agency must research and document whether the employee has prior state service. See [Texas Payroll/Personnel Resource – Required Documentation](#). If prior service exists, the agency must confirm and properly record the amount of lifetime service credit for longevity and hazardous duty pay purposes.

RECOMMENDATION/REQUIREMENT

The Commission must continue to research and verify prior state service for its employees and confirm whether any prior service was in a hazardous duty pay eligible position. In addition, the Commission must ensure all prior state service verifications are accurate, properly documented and maintained in the personnel files to minimize the risk of incorrect longevity and hazardous duty payments.

The Commission should consider recovering the longevity overpayment made to the employee in accordance with [Texas Government Code, Chapter 666](#). Additionally, the Commission must compensate the employee who was underpaid hazardous duty pay. See [34 Texas Administrative Code Section 5.40\(c\)](#).

COMMISSION RESPONSE

The agency agrees with the recommendations to recover the longevity overpayment and compensate for the underpaid hazardous duty pay—these oversights have been fully rectified by/with the impacted employees. In response to the directive regarding the verification of prior state service and the assessment of hazardous duty pay eligibility, the following actions have been implemented by TABC Human Resources Division to ensure compliance, accuracy, and proper documentation:

Comprehensive Verification Process

All prior state service for incoming employees has been thoroughly researched and verified. This includes obtaining official employment records from previous state agencies and confirming dates of service, job classifications, and applicable service types.

Assessment of Hazardous Duty Pay Eligibility

As part of the verification process, we evaluate whether any portion of the prior state service qualifies for hazardous duty pay. This determination will be based on the applicable state policies and eligibility criteria in effect during the period of service.

Documentation Standards

All verified information, including supporting documentation and correspondence, is accurately recorded and maintained in the employee's official personnel file. This ensures transparency, audit readiness, and compliance with record retention requirements.



Ongoing Monitoring and Quality Assurance

We have implemented periodic reviews to ensure that all verifications are conducted consistently and that documentation remains complete and up to date. Any discrepancies identified during the review process will be addressed promptly.

PURCHASE TRANSACTIONS

Auditors developed a sample of 25 purchase transactions totaling \$1,195,199.13 and 15 payment card transactions totaling \$10,266.70 to ensure the Commission complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions. Note: Three of the exceptions were related to the same contract procured in 2014.

MISSING PUBLIC NOTICE OF CONTRACT SOLICITATION AND AWARD

For one contract, the Commission did not have evidence that it announced the contract solicitation and eventual award through the Electronic State Business Daily (ESBD) website. The Commission procured the contract in 2014, and believes the ESBD documents have been lost. The Statewide Procurement Division (SPD), which administers the ESBD, could not find any postings from the Commission before 2017. Without evidence of the ESBD postings, auditors could not verify compliance with these requirements.

Solicitations for contracts with a value over \$25,000 must provide notice to the public through the ESBD for the required period before bids or proposals are accepted. A contract awarded without meeting these requirements is legally void. In addition, after the contract is awarded, a notification of award must be posted to the ESBD within two business days if the contract is expected to exceed \$25,000.00, per [Texas Government Code, Section 2155.083](#).

RECOMMENDATION/REQUIREMENT

The Commission must consistently follow procurement procedures to ensure it complies with ESBD posting requirements and retains evidence of compliance in the procurement file. This will help protect the Commission from contract challenges stemming from insufficient public notice of the contract opportunity.

COMMISSION RESPONSE

The TABC Procurement team will consistently adhere to established procurement procedures to ensure compliance with Electronic State Business Daily (ESBD) posting requirements. Documentation confirming ESBD compliance will be retained in the procurement file as part of standard recordkeeping practices.



To support transparency and audit readiness, a designated repository has been established on an agency SharePoint site to store all solicitation-related documentation, including award disclosures and advertisement records. All solicitation files are required to be properly organized and readily accessible.

Additionally, a required reporting chart has been added to the Report-Delegation-Disclose tab of the Procurement Assignment Spreadsheet. This tool supports consistent tracking and ensures compliance with all applicable reporting obligations.

MISSING CENTRALIZED MASTER BIDDERS LIST (CMBL)

One contract with a value over \$100,000 did not have evidence that the Commission followed the proper CMBL solicitation process. The Commission was unable to provide a dated CMBL search printout or the list of CMBL vendors notified of the contract opportunity. Without these documents, auditors could not determine whether all matching CMBL vendors were solicited for the procurement process. The contract was procured in 2014, and the Commission believes the CMBL documents have been lost. Failing to retain the documentation of the CMBL search and notifications not only prevents the Commission from demonstrating its compliance, but could increase the Commission's exposure to complaints or litigation from CMBL vendors.

According to the [State of Texas Procurement and Contract Management Guide](#), the CMBL is an online directory of vendors registered to receive bidding opportunities from state purchasing entities, and is maintained by the SPD. Agencies, colleges, universities and local governments use the CMBL to find vendors for products and services and also to gather information for noncompetitive procurement processes. SPD does not endorse, recommend or attest to the capabilities of any business or individual listed on the CMBL.

For procurements exceeding \$25,000, an agency must use the CMBL to solicit from each eligible vendor on the list that serves the agency's geographic region. See [Texas Government Code, Section 2155.264](#). Agencies must retain a copy of the bid list with the date the list was generated in the procurement file.

RECOMMENDATION/REQUIREMENT

The Commission must consistently follow procurement procedures to ensure it retains evidence of compliance with CMBL requirements in the procurement file. In addition, to ensure adherence to state procurement statutes and rules, all agencies and institutions of higher education must attempt to use the CMBL for all purchases, including services that require competitive bidding or competitive sealed proposals. The Commission must retain a copy of the dated CMBL search results and the solicitation notification email to qualified CMBL vendors in the procurement file as evidence that it attempted to use the CMBL.



COMMISSION RESPONSE

TABC will consistently follow established procurement procedures to retain evidence of compliance with Centralized Master Bidders List (CMBL) requirements in the procurement file. The CMBL is utilized by all TABC staff to identify vendors for all purchases, including those involving competitive solicitations.

All TABC purchasers have been trained in the proper use of the CMBL. For all competitively bid procurements, the procurement file must include: a dated copy of the CMBL search results and a copy of the solicitation notification sent to all qualified vendors identified through the CMBL.

These documentation practices ensure transparency, compliance, and audit readiness.

NONCOMPLIANCE WITH REQUIREMENTS TO CONSIDER HISTORICALLY UNDERUTILIZED BUSINESSES (HUBS)

For one contract with a value over \$100,000, the awarded vendor did not provide a HUB subcontracting plan, and the solicitation did not require one. The Commission believes since the contract was procured in 2014, the HUB documents have been lost.

The HUB program is a state of Texas initiative to increase procurement and contracting opportunities available to businesses owned by minorities and women. A HUB is a sole proprietor, partnership or corporation in which at least 51 percent of the stock or other equitable securities are owned by one or more persons who are members of the following groups: Asian Pacific Americans, Black Americans, Hispanic Americans, Native Americans, women and service-disabled veterans. These individuals must have a proportionate interest in the control, operation and management of the business, and their principal place of business must be in Texas. Eligible entities are identified in [34 Texas Administrative Code Section 20.282\(7\)](#).

According to the *2013 State of Texas Contract Management Guide* 1.11, the version in effect when the contract was procured, agencies are required to make a good-faith effort to use HUBs in state contracts in accordance with the goals specified in the 1996 state of Texas disparity study. These goals can be achieved through contracting directly with HUBs or indirectly through subcontracting opportunities, per [Texas Government Code, Chapter 2161, Subchapter F](#) and [34 Texas Administrative Code Chapter 20, Subchapter D](#). For all contracts over \$100,000, HUB subcontracting forms must be completed and returned with the bid or proposal or the proposal will be considered non-responsive as addressed in [Texas Government Code, Section 2161.252](#).

Current HUB subcontracting requirements are listed in [34 Texas Administrative Code Section 20.285](#). For more information, see the *State of Texas Procurement and Contract Management Guide*.



RECOMMENDATION/REQUIREMENT

The Commission must consistently follow procurement procedures to ensure it complies with HUB program requirements. Requests for proposals must require a HUB subcontracting plan when applicable, and responses submitted without a completed plan must be disqualified.

COMMISSION RESPONSE

TABC will consistently follow procurement procedures to ensure compliance with the Historically Underutilized Business (HUB) Program requirements. For all competitive procurements conducted using the Request for Proposals (RFP) method, any purchase exceeding \$100,000 requires a mandatory review by the HUB Coordinator.

This review ensures that the HUB Subcontracting Plan (HSP) requirements are met and properly documented as part of the solicitation process, supporting full compliance with state HUB program guidelines.

MISSING PRE-AWARD VENDOR PERFORMANCE TRACKING SYSTEM (VPTS) CHECK AND FAILURE TO REPORT TO VPTS

In two instances in the purchase sample, the Commission failed to document that staff checked the Vendor Performance Tracking System (VPTS) before awarding the contract, and failed to report its experience with the vendors to the VPTS after concluding the contract. According to the Commission, it missed VPTS reporting due to staffing issues at the time.

Reviewing vendor performance reports in the VPTS before awarding a contract helps identify vendors with a history of poor performance and/or unethical business practices. When agencies do not report vendor performance, it deprives procurement staff in other agencies of the information they need to properly evaluate vendor performance and practices.

The SPD administers the VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). The VPTS helps state 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.

A vendor's performance must be reported to the VPTS once a contract valued at more than \$25,000 is completed or otherwise terminated. If the contract exceeds \$5 million, the agency must review the contractor's performance at least once each year during the contract term 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

The Commission must ensure procurement staff checks the VPTS before determining whether to award a contract to a vendor. Staff must retain the VPTS review results, dated before the contract award, in the procurement file. When the total contract value exceeds \$25,000, the Commission must also assess and report the vendor's performance to VPTS once the contract is completed or otherwise terminated. If the contract value exceeds \$5 million, the Commission must complete reports at additional required intervals.

In addition, staff training programs and related documentation must include instructions on using and reporting to the VPTS. Using a procurement checklist ensures all requirements are completed; a checklist template is available in the *State of Texas Procurement and Contract Management Guide*.

COMMISSION RESPONSE

All TABC purchasers are certified as Certified Texas Contract Developers (CTCD) and have been trained to perform Vendor Performance Tracking System (VPTS) checks prior to determining a contract award. Documentation of the VPTS check is required to be included in the procurement file for each applicable purchase.

For all purchases exceeding \$25,000, TABC will assess and report vendor performance to the VPTS upon contract completion. For contracts exceeding \$5 million, TABC will complete required VPTS reports at designated intervals to ensure that vendor performance continues to meet the agency's needs throughout the contract term.

Statewide mandated reporting requirements—including VPTS and other threshold-based obligations—have been incorporated into the Procurement Assignment Spreadsheet. Completion of these reporting elements by the assigned purchaser is now a prerequisite for project closure.

Additionally, the Procurement team will routinely generate and provide a metric report to the CFO to ensure all reporting requirements remain current and compliant.

INCORRECT PROCUREMENT METHOD USED

For two purchase card transactions, the Commission did not comply with set-aside program rules. The Commission did not document an exception or request a waiver before obtaining goods or services on the open market that were available through the programs. Consequently, the Commission made these purchases without the necessary authority from the SPD. According to the Commission, due to an earlier period of increased turnover, procurement staff was not properly trained.



SPD defines set-aside programs as programs governed by Texas Government Code, Chapter 497, offering prison-made goods, and the State Use Program authorized by Texas Human Resources Code, Chapter 122. See the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method – SPD Non-Delegated Purchases.

SPD facilitates the purchase of prison-made goods and services through Texas Correctional Industries (TCI), a division of the Texas Department of Criminal Justice. SPD also facilitates purchases through the State Use Program via WorkQuest. Agencies are required to purchase goods and services from TCI or WorkQuest unless they obtain a waiver from TCI or properly document an authorized WorkQuest exception. See the *State of Texas Procurement and Contract Management Guide* – Procurement Method Determination.

RECOMMENDATION/REQUIREMENT

The Commission must train procurement staff to consider the set-aside programs early in the procurement method selection process, and to maintain thorough documentation when opting out of them. The *State of Texas Procurement and Contract Management Guide* provides detailed steps for choosing a procurement method.

COMMISSION RESPONSE

All TABC purchasers are certified as Certified Texas Contract Developers (CTCD) and are required to consider state set-aside programs early in the procurement method selection process. Purchasers are trained to understand and apply the appropriate documentation requirements when opting out of set-aside programs, including obtaining waivers approved by the relevant set-aside entities and completing applicable State Use reporting.

To ensure the correct procurement method is selected and properly documented, all purchasers adhere to the State of Texas Procurement and Contract Management Guide and utilize PCC checklists. These tools help ensure that all required documentation is secured and that procurement actions remain compliant with state regulations.

MISSING WARRANT HOLD CHECKS

For four payment card transactions, the Commission was unable to provide documentation that it performed warrant hold verifications before making purchases over \$500. According to the Commission, the oversight was due to significant turnover during the audit period and inadequately trained staff.

It is unlawful for an agency to contract with or pay someone who owes an unpaid debt to the state. To prevent this, the Comptroller's office places state debtors on warrant hold. [Texas Government Code, Section 2252.903](#) requires agencies to verify a vendor's warrant hold status for payment card purchases over \$500. If a vendor



is on warrant hold, agencies must not proceed with payment card purchases over \$500 until the warrant hold has been released. See [eXpendit – Persons Indebted to the State](#) and the [State of Texas Procurement and Contract Management Guide – Warrant/Payment Hold Check](#).

RECOMMENDATION/REQUIREMENT

The Commission must ensure employees check each vendor's warrant hold status before using a payment card for purchases over \$500; they must also maintain the documentation for audit review.

COMMISSION RESPONSE

TABC has implemented vendor hold requirements for all credit card purchases exceeding \$500. As part of this process, vendor hold verification documentation is required for all credit card purchase files.

Additionally, warrant hold checks are a standard requirement for all applicable purchases to ensure that TABC is only conducting business with vendors in good standing with the State of Texas. These procedures help maintain compliance with state financial and procurement regulations.

PROMPT PAYMENT AND PAYMENT SCHEDULING ERRORS

In the purchase sample, auditors identified 10 transactions that the Commission paid late but did not pay interest on, and one transaction over \$5,000 that the Commission paid early without any benefit to the state such as an early payment discount. The Commission indicated the omissions were due to errors.

LATE PAYMENTS

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

- The date the agency receives the goods under the contract.
- The date the performance of the service under the contract is completed.
- 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](#).

The Commission paid \$559.05 in prompt payment interest during the audit period.



EARLY PAYMENTS

[Texas Government Code, Section 2155.382\(d\)](#) authorizes the Comptroller's office to allow or require agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must determine the circumstances that will permit or require the advance scheduling of payments; however, the Comptroller's office requires advance scheduling of payments when it is advantageous to the state. Payments over \$5,000 must be scheduled for distribution 30 days from either the receipt of the invoice or the completion of services/receipt of goods, whichever is later, or:

- As prescribed by the contracts or specific arrangements covering the payments.
- On the last day a payment can be made without accruing interest under the prompt payment law.

Otherwise, agencies must justify the cost effectiveness of or explain the business reason for making an early payment. See [eXpendit – Payment Scheduling](#). See the [Prompt Payment Due Date and Interest Rate Calculator](#) to calculate due dates.

RECOMMENDATION/REQUIREMENT

The Commission must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest. The Commission must also ensure staff enters accurate due dates to ensure the Commission correctly pays any interest due. See [eXpendit – Prompt Payment](#). Also, to minimize the loss of earned interest to the state treasury, the Commission must follow payment scheduling law and schedule all payments greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#).

COMMISSION RESPONSE

TABC has implemented new processes for date/time stamping invoices to ensure payments are accurate and paid timely in accordance with the Prompt Payment Act and eXpendit Payment Scheduling guidelines. These processes include an electronic date/time stamp and the creation of a new folder in the agency shared drive where the date stamped invoice will be saved. In addition, the invoice and supporting documentation will be uploaded to a centralized repository for these documents. Accounts Payable staff were required to attend (and have successfully completed) the following CPA training as part of the Corrective Action Plan: Prompt Payment and Scheduling, Advance Expenditure Processing & Documentation.

TRAVEL TRANSACTIONS

Auditors developed a sample of 27 travel transactions totaling \$15,918.38 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.



INCORRECT TRAVEL REIMBURSEMENT AMOUNT

For one payment in the travel sample, an employee was incorrectly reimbursed for business-related travel. The employee's expense report included a request for personal vehicle mileage reimbursement, but the employee had driven a rental vehicle that the Commission rented and paid for directly from the rental car agency. In addition, the employee requested more than the agency's allowable amount for meals during non-overnight travel without justifying the excess.

Commission staff did not detect either of these errors when approving and paying the reimbursement to the traveling employee. When expense reports are completed incorrectly and are not thoroughly reviewed before payment, there is increased risk of incorrect reimbursement. In this transaction, the employee was inaccurately paid for personal vehicle mileage and meals during non-overnight travel.

Employees must comply with applicable travel laws and rules and must not seek reimbursement for travel expenses that they should reasonably know are not reimbursable.

A state employee must immediately reimburse the state for a travel reimbursement overpayment, per [Texas Government Code, Section 660.017](#). In addition, agencies must properly train employees about travel regulations and promptly inform them about any changes. Agencies must ensure staff examines all travel reimbursements before payment to ensure compliance with applicable regulations and limitations. See [Texttravel – Responsibilities](#).

Although [Texas Government Code, Section 660.041](#) entitles a state employee to be reimbursed for mileage incurred to conduct state business, the mileage reimbursement is for the employee's use of a personally owned or leased motor vehicle.

And, according to the Commission's policy, employees may be reimbursed for a meal expense incurred during travel that did not require an overnight stay as long as the employee is outside of their designated headquarters for at least six consecutive hours, but that reimbursement is limited to \$10 for six to 12 hours, \$18 for 12 to 18 hours, and \$25 for 18 to 24 hours.

RECOMMENDATION/REQUIREMENT

The Commission must ensure travel payments and reimbursements are correct and comply with all applicable regulations and limitations. The Commission should implement controls to ensure it does not reimburse employees for travel expenses it paid directly to vendors.

The Commission must provide training to ensure:

- Employees are aware of travel regulations and do not seek reimbursement for travel expenses that are not reimbursable.



- Travel payment reviewers/approvers thoroughly examine travel expenses and reimbursement requests before payment for compliance with all applicable regulations and limitations.

The traveling employee should return the excess reimbursement to the Commission in accordance with Texas Government Code, Section 660.017.

COMMISSION RESPONSE

TABC has onboarded on to the CAPPs Travel & Expense module which requires the traveler to provide receipts for expenses related to the method of transportation (or other direct bill related expenses) for which they are seeking reimbursement. In addition, TABC has implemented a strengthened internal review process of the travel vouchers when they are submitted. TABC Travel staff validates the direct billed invoices against the traveler's requested reimbursement to ensure the request is accurate prior to issuing payment.

TABC also reviewed and updated training provided for new TABC staff during the agency onboarding training. TABC is also working on implementing a regularly occurring training for all staff to attend. These trainings will cover eligible mileage reimbursement and rental car direct bill processes in addition to the cost comparison requirement to ensure the most cost-effective method of travel. In addition, TABC travel accountant and team lead were both required to attend (and have successfully completed) the CPA's travel training.

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 System. Audit tests revealed no exceptions in these transactions.

REFUNDS OF REVENUE

Auditors developed a sample of 10 refund of revenue transactions totaling \$35,968.90, then conducted a limited review of these payments. The review consisted of verifying that the reason for the refund was properly documented. Audit tests revealed no exceptions for this group of transactions.

TARGETED ANALYSIS

The audit included targeted analyses outside the main samples of payroll, purchase and travel transactions. Using Comptroller statewide financial systems and the Citibank CitiManager Reporting System, auditors generated several special reports to analyze



additional relevant processes such as interagency transfers, refunds to payroll, proper coding of payment card transactions, and others. Audit tests revealed the following exception in the Commission's targeted analysis reports.

INCOMPLETE DIRECT DEPOSIT AUTHORIZATION FORMS

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

Of the 10 transactions selected for review, three direct deposit forms were not completed properly; the International Payments Verification section was blank. Without correctly completed forms on file, the Commission is unable to indicate whether state funds were forwarded to a financial institution outside the United States. The Commission stated the information was omitted due to oversight.

International automated clearing house transactions 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 on the identification and processing of these types of direct deposit payments.

To avoid federal penalties, each agency must:

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

RECOMMENDATION/REQUIREMENT

The Commission must ensure all payees who request payment by direct deposit submit a completed, signed Direct Deposit Authorization form with the international payment verification question answered, and that the forms are maintained according to record retention requirements.

COMMISSION RESPONSE

TABC Accounts Payable team members have been retrained to ensure proper compliance with a Direct Deposit Authorization form 74-176, including International Payment Verification. In addition, TABC has implemented processes for reviewing the submitted form, including a secondary review, in accordance with the requirements on the form and the Tex Payment Resource.



APPENDICES

APPENDIX 1 — OBJECTIVES, SCOPE, METHODOLOGY, AUTHORITY AND TEAM

AUDIT OBJECTIVES

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the statewide financial systems.
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.

AUDIT SCOPE

Auditors reviewed a sample of the Texas Alcoholic Beverage Commission (Commission) payroll, purchase and travel transactions that processed through the statewide financial systems from Dec. 1, 2022, through Nov. 30, 2023, to determine compliance with applicable state laws.

The Commission received appendices with the full report, including a list of the identified errors. This information 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 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

Alberto Lañas, MBA, CTCM, CTCD, Lead Auditor

Mayra Castillo, CTCD, CTCM

Scott Coombes, CISA

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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: • 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.