



AN AUDIT OF THE TEXAS DEPARTMENT OF AGRICULTURE

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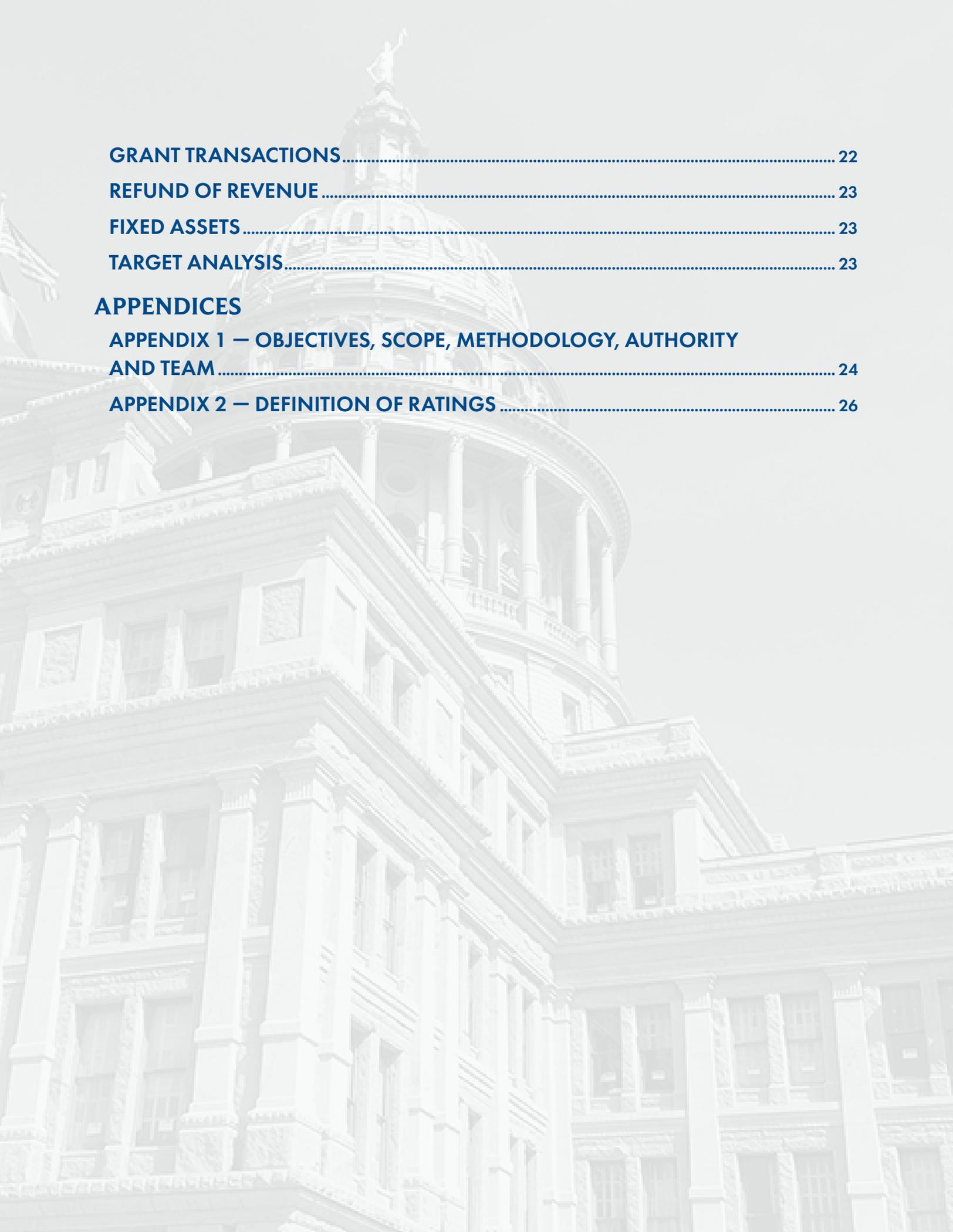
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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The objectives of this audit were to determine whether Texas Department of Agriculture (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.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2023, through Nov. 30, 2024.

BACKGROUND

The Texas Department of Agriculture mission is to partner with all Texans to make Texas the nation's leader in agriculture, fortify our economy, empower rural communities, promote healthy lifestyles, market Texas products, provide biosecurity, provide consumer protection, and cultivate winning strategies for rural, suburban, and urban Texas through exceptional service and the common threads of agriculture in our daily lives.

Texas Department of
Agriculture website

<https://texasagriculture.gov/>

AUDIT RESULTS

The Department largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found that the Department should consider making improvements to its payroll, purchase/procurement, payment cards, and travel cards processes.

Auditors reissued six findings from the previous audit relating to purchase/procurement and payment and travel card processes. Auditors originally issued these findings in October 2019. An overview of audit results is presented in the following table.

TABLE SUMMARY

AREA	AUDIT QUESTION	RESULTS	RATING
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	Missing performance evaluation for one-time merit pay	Compliant, Findings Issued
<u>Purchase/ Procurement and Payment Card Transactions</u>	Did purchase/ procurement and payment card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"> • Missing documentation to adequately support payments • Missing statutory authority for purchase • Incorrect procurement method used • Missing State Auditor’s Office nepotism disclosure statement • Missing Electronic State Business Daily posting of contract award 🔄 Missing Texas Ethics Commission’s Certificate of Interested Parties (Form 1295) • Non-compliance with contract payment and pricing terms 🔄 Missing vendor compliance verifications 🔄 Non-compliance with Legislative Budget Board reporting requirements 🔄 Failure to report to the Vendor Performance Tracking System 🔄 Internal policies not followed 🔄 Prompt payment and scheduling errors 	Noncompliant

🔄 Repeat Finding



AREA	AUDIT QUESTION	RESULTS	RATING
Travel/Non-Employee Travel/Non-Overnight 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"> Unauthorized use of state-issued travel card Reimbursement of travel for other persons 	Compliant, Findings Issued
Grant Transactions	Did grant transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Refund of Revenue Transactions	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant
Target Analysis	Did targeted analysis transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant

Repeat Finding

KEY RECOMMENDATIONS

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

- Conduct performance evaluations to substantiate an employee’s eligibility to receive a one-time merit action based on performance and document the results in personnel files.
- Maintain the required documentation to support the legality and fiscal responsibility of a payment, ensure supporting documentation is available for audit review, and follow internal policies and procedures.



- Update policies and procedures to ensure the Department does not purchase goods or services if it does not have statutory authority to do so.
- Ensure the correct purchasing method is used as outlined in the [*State of Texas Procurement and Contract Management Guide*](#).
- Ensure the Department's procurement staff completes the State Auditor's Office (SAO) nepotism disclosure form before awarding a contract over \$1 million.
- Ensure all applicable contract awards are reported to the Electronic State Business Daily (ESBD).
- Ensure vendors submit a completed and signed Texas Ethics Commission (TEC) Form 1295 to the Department for any contracts over \$1 million.
- Ensure contract terms are fulfilled as stated during the life of the contract and ensure contract amendments and extensions are executed in a timely manner.
- Conduct all vendor compliance verifications before any purchase, contract award, extension, and/or renewal and retain documentation of the verifications as part of its files.
- Report all applicable contracts and purchases to the Legislative Budget Board (LBB).
- Ensure all applicable contracts are reported to the Vendor Performance Tracking System (VPTS).
- Ensure that the Department's payment cardholders follow internal policies and procedures.
- Schedule payments for processing in compliance with state law. Verify proper due dates are entered to ensure the payments are paid correctly to vendors.
- Ensure all travel expense claims are thoroughly reviewed for legality and accuracy before payment.



DETAILED FINDINGS

PAYROLL TRANSACTIONS

Auditors developed a sample totaling \$499,288.27 from a group of 25 employees involving 356 payroll transactions to ensure the Department complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#), and pertinent statutes. Audit tests revealed the following exception in these transactions.

MISSING PERFORMANCE EVALUATION FOR ONE-TIME MERIT PAY

Auditors identified one payroll transaction where the Department granted a one-time merit payment without a documented performance review. Auditors confirmed that the employee in question was indeed a classified employee. However, the Department indicated that no performance evaluations are done for the employee's position.

According to [Texas Government Code, Section 659.255\(c\)](#), each state agency shall establish: (1) a procedure for determining the eligibility of a classified employee to receive a merit salary increase or a one-time merit payment from the agency; and (2) requirements for substantiating the eligibility of a classified employee who receives a merit salary increase or a one-time merit payment from the agency. Auditors noted that the Department has a policy statement regarding Merit Salary Increase and One-Time Merit Payment, satisfying [Section 659.255\(c\)](#) requirements.

According to [Texas Government Code, Section 659.255\(f\)](#), a state agency may make a one-time merit payment to a classified employee in relation to the employee's performance in the current classified position held by the employee if, among other requirements, the employee's job performance and productivity in that position are consistently above that normally expected or required.

To demonstrate that merit actions were granted to those employees whose performance were "consistently above" the level normally expected or required, written performance evaluations or appraisals are the most common form of documentation. For all the other employees in the sample who had received merit actions, the Department did have performance appraisals on file. Without a written performance evaluation, auditors were unable to ascertain that the employee in question received the one-time merit payment appropriately based on performance that was consistently above the level normally expected or required.

RECOMMENDATION/REQUIREMENT

The Department must consistently conduct performance evaluations in order to substantiate an employee's eligibility to receive a merit action based on performance



and document the results in personnel files. The Department must uniformly apply and follow its own policies and procedures regarding the eligibility and documentation requirements for merit actions for all employees.

DEPARTMENT RESPONSE

HR will ensure compliance with Performance Appraisal System Policy and Merit and One-Time Merit Policy. Salary actions which require a current performance appraisal on file will not be processed by HR until the required documentation is received and reviewed. HR will ensure that the appropriate justification, which verifies the eligibility of the employee to receive a merit salary increase or one-time merit increase, must be submitted to HR, reflecting approval by the employee's supervisor and the appropriate Assistant Commissioner or Division Head.

PURCHASE/PROCUREMENT AND PAYMENT CARD TRANSACTIONS

Auditors developed a sample of 40 purchase/procurement transactions totaling \$3,101,494.39 and 35 payment card transactions totaling \$42,317.39 to ensure that the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

MISSING DOCUMENTATION TO ADEQUATELY SUPPORT PAYMENTS

Auditors identified a number of instances where Department staff failed to maintain proper documentation to support payments and/or document the purpose of the payments. Missing items included:

- One payment card transaction, which consisted of five different purchases, did not have invoices to support the payments.
- Four payment card transactions lacked documentation confirming the receipt of goods or services. The purchase was for goods, specifically laboratory equipment, shelf liners, first aid and safety equipment, and table clothes.
- One payment card transaction lacked documentation proving that two employees attended work-related training. The employees are no longer working at the Department and the Department was unable to provide proof that the employees attended the training.
- One purchase transaction where the Department was unable to locate the contract associated with the purchase.

According to the Department, it completed its review and validated that no supporting documents are on file for these transactions. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.



Without proper documentation, auditors could not determine whether the information entered in the Uniform Statewide Accounting System (USAS) was an accurate reflection of the intended purchases made.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), each agency, its officer, and employees must ensure that for each purchase document, the agency maintains necessary documentation to prove each payment resulting from the document is legal, proper, and fiscally responsible. Agencies must make supporting documentation available to the Comptroller's office in the manner required. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

The Comptroller's [eXpendit](#) website explains that the type of documentation needed to support the legality and fiscal responsibility of a payment depends on the type of claim paid. Examples of required documentation include POs, requisitions, contracts, invoices, receipts and receiving reports.

In addition, standard business practices and internal controls to ensure payments are valid require adequate separation of duties in the purchasing process and a comparison (three-way match) of:

- The ordering information (PO)
- Billed amounts (vendor invoice)
- Confirmation that all goods and services were received as expected (receiving report)

If an agency does not perform the confirmation, it risks receiving incomplete orders or receiving items purchased for personal or non-agency use. Without complete documentation, auditors could not determine whether all goods and services purchased were received as expected/billed.

RECOMMENDATION/REQUIREMENT

The Department must ensure it maintains purchase documentation to prove payments are appropriate and in compliance with regulations including any contracts related to the transactions. Supporting documentation for purchase/procurement and payment card transactions must be thoroughly examined before payment to ensure all charges are appropriate and in compliance with all applicable rules and regulations.

In addition, staff training programs and detailed policy and procedures materials must include instructions on the required documentation to maintain and to adequately support purchase/procurement and payment card payments.



DEPARTMENT RESPONSE

The payment card/credit card program was fully transferred to the Procurement and Contract Office (PCO) in 2024. Upon review of the program, a new procedure was implemented requiring cardholders to enter a requisition into the CAPPs system for card payments.

In April 2024, PCO sent out an agency-wide announcement for the implementation of the new program, effective May 2024. PCO conducted two (2) training sessions in April and May 2024 for all affected staff. These training courses ensured that cardholders understood the revised requisition process, system requirements, and compliance expectations.

In response to preliminary post payment audit findings, all non-PCO staff credit cards had their limits reduced to \$400 in May 2025.

Effective November 2025, CAPPs receiving is utilized for goods and services to ensure the purchases are received as expected and documentation is retained.

TDA will update the TDA Procurement & Contract Policy Management Handbook & Payment Card Program Guide to reflect these changes and provide training.

MISSING STATUTORY AUTHORITY FOR PURCHASE

Auditors identified one purchase/procurement transaction where the Department purchased food as part of a rental of space package without having statutory authority to do so.

The Department rented space that included costs for food items to hold a conference to provide federally required training to program operators outside of the agency. The Department stated that it acknowledges this as a documentation oversight and is taking corrective measures to prevent recurrence.

A state agency may purchase a good or service only if the agency has specific or implied statutory authority for the purchase. A state agency has implied statutory authority to purchase a good or service only if it is necessary for the agency to fulfill its specific statutory duties. See [eXpendit – Statutory Authority for Purchases](#). A state agency is prohibited from purchasing food, coffee, cream, sugar and similar items agency employees or visitors would consume. See [eXpendit – Food and Equipment Related to Food Preparation or Storage](#).

RECOMMENDATION/REQUIREMENT

The Department must continue to review all purchases and update its policies and procedures to ensure it does not purchase goods or services with appropriated funds if it does not have statutory authority to do so.



DEPARTMENT RESPONSE

The Agency agrees with this finding. This was a purchase by a federally funded program for a training/conference. The division was informed that they can no longer purchase food regardless of funding. Going forward, PCO monitors all purchases. PCO formally established Contract Manager positions in December 2023 and currently employs three contract managers that oversee all procurement.

TDA will update the TDA Procurement & Contract Policy Management Handbook & Payment Card Program Guide to reflect these changes and provide training.

INCORRECT PROCUREMENT METHOD USED

Auditors identified seven payment card transactions where the Department failed to select the correct procurement method for the purchase of equipment rentals, computer/monitor accessories, laboratory equipment, archive and storage boxes, shelf liners, table clothes, and boots.

None of the seven purchases had the required waivers, exceptions, and/or exemptions to purchase the goods outside the Texas Department of Information Resources (DIR), Texas Correctional Industries (TCI), or WorkQuest (formerly TIBH Industries) procurement process. Although Department procedures require the purchaser to use state-approved purchasing methods to research vendors for the good/services, this did not always occur. According to the Department, it completed its review and validated that no supporting documents are on file for these transactions. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.

The [State of Texas Procurement and Contract Management Guide](#) – Procurement Methods – Procurement Method Identification Process notes that incorrect procurement methods do not provide the best value to the state, are likely to be more expensive and less efficient than the correct method, and in worst case, may result in a void contract that must be resolicited.

According to the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method Determination, Texas law requires agencies to award contracts only to responsive vendors providing the best value to the state. The best value standard may vary depending on the procurement method, so public procurement personnel must ensure agencies use the appropriate best value standard as the basis for each contract award. The guide also describes the process for selecting the appropriate procurement method and provides details for the following resources:

- DIR
- TCI
- State Use Program (WorkQuest)
- Statewide Procurement Division (SPD) term contracts



Additionally, agencies are required to purchase goods and services from TCI or WorkQuest unless they meet exception requirements and obtain applicable waivers. See the [State of Texas Procurement and Contract Management Guide](#) – Procurement Method – SPD Non-Delegated Purchases. Agencies may obtain an exemption or waiver from the requirement to use a DIR contract to purchase an information technology (IT) commodity item. See the [State of Texas Procurement and Contract Management Guide](#) – DIR Contract – Exemptions and Exclusions.

RECOMMENDATION/REQUIREMENT

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

In addition, the Department must ensure its policies and training materials include instructions for using the correct purchasing method and maintaining necessary supporting documentation. A procurement checklist is available in the [State of Texas Procurement and Contract Management Guide](#) – Appendix 9.

DEPARTMENT RESPONSE

To strengthen consistency and ensure the correct procurement method is utilized, the following measures have been implemented:

- *The agency consolidated 19 PCC forms into 1 comprehensive procurement form. This combined document streamlines guidance, eliminates conflicting instructions, and provides staff with a single, authoritative source for the Comptroller's post-payment requirements.*
- *As part of these enhancements, the program reduced credit card limits to \$400 in May. Purchases over \$400 now must receive approval by PCO. PCO performs all necessary verification checks and may temporarily increase the card limit for the transaction to process.*
- *In June of this year, the PCO established the Compliance and Improvement Team (CIT) to ensure compliance through conducting peer reviews.*

TDA will update the TDA Procurement & Contract Policy Management Handbook & Payment Card Program Guide to reflect these changes and provide training.



MISSING STATE AUDITOR'S OFFICE NEPOTISM DISCLOSURE STATEMENT

Auditors identified four purchase/procurement transactions where the Department failed to have procurement employees complete and sign the State Auditor's Office (SAO) nepotism disclosure statement forms. According to the Department, it completed its review and validated that no supporting documents are on file for this transaction. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.

The SAO defines purchasing personnel as employees of a state agency who make decisions on behalf of the agency, such as:

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

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

RECOMMENDATION/REQUIREMENT

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

DEPARTMENT RESPONSE

To strengthen compliance with this requirement, the PCO checklist form was incorporated into the new PCO employee onboarding process. All newly hired staff receive training on how to properly complete the form, the required supporting documentation, and the Compliance Improvement Team (CIT) review. Completion of the form and adherence to the review requirements are now incorporated into each employee's performance evaluation to reinforce accountability and ensure consistent compliance with the agency procurement standards.

TDA will update the TDA Procurement & Contract Policy Management Handbook & Payment Card Program Guide to reflect these changes and provide training.

MISSING ELECTRONIC STATE BUSINESS DAILY POSTING OF CONTRACT AWARD

Auditors noted that the Department did not publicly post a notification of the contract award on the Electronic State Daily Posting (ESBD) website for one purchase/procurement transaction. According to the Department, it completed its review and



validated that no supporting documents are on file for this transaction. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.

See [Texas Government Code, Section 2155.083](#) for additional information regarding ESDB posting requirements for procurements exceeding \$25,000 in value. Specifically, [Section 2155.083\(k\)\(2\)](#) requires each state agency that awards a procurement contract estimated to exceed \$25,000 in value to post a notice on ESDB when the procurement contract is awarded or when the agency decides to not make the procurement.

Not posting either the solicitation or the notice of award on ESDB could cause the resulting contract to not provide the best value to the state. In addition, there may be an appearance of unfairness in vendor selection and the contract ultimately may be void.

RECOMMENDATION/REQUIREMENT

The Department must ensure it posts on ESDB all procurements exceeding \$25,000, including a notification of award once the contract is awarded, or a notice of non-award in the event no contract is awarded. Evidence of the posting must be documented and retained in the contract file. In addition, staff training programs and related documentation must include information on ESDB requirements.

DEPARTMENT RESPONSE

The one (1) contract/purchase order in question was originally awarded (August 4, 2021) before the audit period, and it included three (3) one-year renewal options. The purchase order issued during this audit review period was a renewal option, not a new competitive award.

Under the current procedures, the PCO checklist and CIT review are required. However, because of the initial contract period, the checklist and CIT review were not in place at the time of the original award.

To correct and prevent this issue going forward, PCO has introduced a consolidated checklist, established CIT peer reviews, and provided additional staff training.

TDA will update the TDA Procurement & Contract Policy Management Handbook to reflect these changes and continue to provide training.

MISSING TEXAS ETHICS COMMISSION CERTIFICATE OF INTERESTED PARTIES (FORM 1295)

Auditors identified two purchase/procurement transactions that did not have the required Texas Ethics Commission (TEC) Certificate of Interested Parties (Form 1295). According to the Department, it completed its review and validated that no supporting documents are on file for this transaction. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.



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

RECOMMENDATION/REQUIREMENT

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

DEPARTMENT RESPONSE

The solicitation template was updated on February 5, 2025 to require that all respondents submit a copy of the Disclosure of Interest Parties Form (Texas Ethics Commission Form 1295) as part of their bid package. To reinforce this audit requirement, the required form was also added to the PCO checklist and CIT peer review process.

TDA will update the TDA Procurement & Contract Policy Management Handbook to reflect these changes and continue to provide training.

NON-COMPLIANCE WITH CONTRACT PAYMENT AND PRICING TERMS

Auditors reviewed a purchase transaction related to a contract for financial and accounting services where the Department paid for labor hours and travel reimbursements that exceeded the stipulated limits:

- Partner-level personnel billed 50 hours over the contractually allowed maximum.
- Travel reimbursements exceeded the contract limits by \$2,881.27 for partner personnel and \$23.92 for senior personnel.

Per the executed contract, the vendor was authorized to bill up to a specific maximum number of hours for each labor category (partner and senior personnel) and was subject to capped travel reimbursement amounts for each category. According to the Department, it completed its review and validated that no supporting documents are on file for this transaction. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.

Contract managers must be familiar with the payment and pricing terms applicable to each contract. Contract managers must also monitor performance under the contract to verify that comparable costs are being charged for comparable goods and services. See [Texas Government Code, Section 2261.203](#) and the [State of Texas Procurement and Contract Management Guide](#) – Contract Management.



Billing in excess of contractual limits without documentation supporting an agreement between both parties for the excess hours and travel reimbursements resulted in a noncompliance with contract payment and pricing terms.

RECOMMENDATION/REQUIREMENT

The Department must ensure contract terms are fulfilled as stated during the life of the contract, and if necessary, contract amendments and extensions are executed on time to reduce the risk of the vendor not meeting the agreed-upon contract terms.

DEPARTMENT RESPONSE

This was an isolated incident concerning a contract for financial and accounting services. The contract amount was not exceeded. The agency now requires all purchase orders to mirror the final contract pricing exactly as negotiated and executed. This includes unit rates, total amounts, quantities, deliverables, and approved pricing schedules.

TDA will update the TDA Procurement & Contract Policy Management Handbook to reflect this change and continue to provide training.

MISSING VENDOR COMPLIANCE VERIFICATIONS

The Department was unable to provide proof that it performed vendor compliance verifications (VCVs) for several purchase/procurement transactions and payment card transactions. The Department must provide evidence, such as screen prints showing each verification was performed. Without running these checks, the Department risks awarding a contract or making a payment in violation of state or federal law. According to the Department, it completed its review and validated that no supporting documents are on file for these transactions. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.

DEBARMENT CHECK

The Department did not search the Comptroller's [Debarred Vendor List](#) before entering into nine purchase/procurement transactions. The contract developer (purchaser) must check the [Debarred Vendor List](#) to confirm the vendor has not been debarred by SPD. An agency must not award a contract to a debarred vendor. SPD may bar a vendor from participating in state contracts for substandard performance, material misrepresentations, fraud, breach of contracts with the state, repeated unfavorable performance reviews under [Texas Government Code, Section 2155.089](#), or repeated unfavorable classifications under [Texas Government Code, Section 2262.055](#). If a vendor is barred, SPD determines the period of debarment. See [34 Texas Administrative Code Section 20.585](#).



SYSTEM FOR AWARD MANAGEMENT AND OFFICE OF FOREIGN ASSET CONTROL CHECKS

The Department was unable to provide evidence staff conducted timely System for Award Management (SAM) and Office of Foreign Asset Control (OFAC) database checks before awarding a contract for four transactions. Agencies must check the SAM database before awarding a contract to verify the vendor is not excluded from grant or contract participation at the federal level. A contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions). See [Executive Order 13224](#).

IRAN, SUDAN, AND FOREIGN TERRORIST LIST ORGANIZATION CHECK

The Department did not check the Iran, Sudan, and foreign terrorist lists for three purchase/procurement transactions in the sample. Government agencies may not contract with a company doing business with Iran, Sudan, or a foreign terrorist organization. See [Texas Government Code, Section 2252.152](#). Each agency must check the Iran, Sudan, foreign terrorist organizations divestment lists before contract award to see if the potential awardee is in violation of this requirement. The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) webpage. If a business is in violation, the contract may not be awarded to that vendor.

BOYCOTT ISRAEL CHECK

For three purchase/procurement transactions, the Department was unable to provide evidence it conducted the boycott Israel check. Government agencies may not contract with a company unless the contract contains written verification that the company does not boycott Israel and will not boycott Israel during the term of the contract. See [Texas Government Code, Section 2271.002](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) webpage. See [Texas Government Code, Section 808.051](#). If the potential awardee is on the list, the contract may not be awarded to that vendor

ENERGY COMPANY BOYCOTT CHECK

The Department was unable to prove it conducted the energy company boycott check before the contract award for one purchase/procurement transaction. A government agency may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott energy companies and will not boycott energy companies during the term of the contract. Agencies must check the [Divestment Statute Lists](#) to confirm potential awardee is not a violation of this requirement. See [Texas Government Code, Section 2276.002](#) and the [State of Texas Procurement and Contract Management Guide](#) – Energy Company Boycott Check



WARRANT HOLD CHECK

The Department was unable to provide evidence it conducted a warrant hold check for eight payment card purchases of over \$500 each prior to purchase. In addition, the Department did not conduct 11 payment card warrant hold checks prior to the purchase in a timely manner. [Texas Government Code, Section 2252.903](#), requires agencies to verify a vendor's warrant hold status for payment card purchases over \$500. Agencies must not proceed with payment card purchases over \$500 until the warrant hold has been released. See [eXpendit – Restricted Expenditures - Persons Indebted to the State](#) and the [State of Texas Procurement and Contract Management Guide – Warrant/Payment Hold Check](#).

RECOMMENDATION/REQUIREMENT

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

DEPARTMENT RESPONSE

Vendor Compliance Verifications (VCV) are now part of the consolidated checklist for all procurements. The Compliance and Improvement Team (CIT) further conducts peer reviews to ensure compliance is completed before the contract award. In addition, the "Divestment Statute Lists and Debarment List" is posted on the first business day of the week to ensure compliance.

TDA will provide training and process improvements.

NONCOMPLIANCE WITH LEGISLATIVE BUDGET BOARD REPORTING REQUIREMENTS

Auditors identified five purchase/procurement transactions that were not reported to the Legislative Budget Board (LBB) and two purchase/procurement transactions that lacked the required written notification for construction-related contracts. The Department stated that it acknowledges this as a documentation oversight and is taking corrective measures to prevent recurrence.

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



Also, an agency must notify the LBB in writing about any contract over \$50,000 if it is related to a construction project that is exempt from all or part of chapter 2166 under [Texas Government Code, Section 2166.003](#). The amount includes any amendment, modification, renewal or extension. The notice must be on a form prescribed by the LBB and filed no later than the 30th day after the contract date. See [Texas Government Code, Section 2166.2551](#) and the LBB contracts database for reporting guidelines and requirements.

RECOMMENDATION/REQUIREMENT

The Department must ensure it reports all applicable contracts to the LBB database and ensure it submits written notifications to the LBB for applicable contracts. It must also ensure staff completes the requirements by the deadlines.

DEPARTMENT RESPONSE

In June of this year, PCO established the Compliance Improvement Team (CIT). This team is responsible for conducting independent peer reviews of all PCO procurement and contract files to ensure adherence to state statutes, federal regulations, agency policies, and guidance from the Comptroller's Office.

In November the contract log template was updated to track renewal dates, contract periods, and contract value for the Legislative Budget Board (LBB) website.

TDA will update the TDA Procurement & Contract Policy Management Handbook to reflect these changes and continue to provide training.

FAILURE TO REPORT TO THE VENDOR PERFORMANCE TRACKING SYSTEM

Auditors identified five purchase/procurement transactions over \$25,000 that were not reported to the Vendor Performance Tracking System (VPTS) as required. According to the Department, it completed its review and validated that no supporting documents are on file for these transactions. The Department added that it acknowledged this as a documentation oversight and is taking corrective measures to prevent recurrence.

SPD administers VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). VPTS provides state agencies with a comprehensive tool to evaluate vendor performance and reduce risk in awarding contracts and relies on agency participation to gather information on vendor performance. A vendor's performance must be reported to VPTS once a contract valued at more than \$25,000 is completed or otherwise terminated. More frequent reviews are required if the value of the contract exceeds \$5 million. See [State of Texas Procurement and Contract Management Guide](#) – Vendor Performance Reporting.



RECOMMENDATION/REQUIREMENT

Department management must ensure procurement staff assess and report vendor performance to VPTS once a contract with a total value exceeding \$25,000 is completed or otherwise terminated. Additional reporting intervals must be met when the contract value exceeds \$5 million.

In addition, staff training programs and related documentation should include instructions on reporting to VPTS. Using a procurement checklist could help ensure all requirements are completed. A template checklist is available in the [State of Texas Procurement and Contract Management Guide](#).

DEPARTMENT RESPONSE

In June of this year, PCO established the Compliance Improvement Team. This team is responsible for conducting independent peer reviews of all PCO procurement and contract files to ensure adherence to state statutes, federal regulations, agency policies, and the Comptroller's guidance.

TDA will update the TDA Procurement & Contract Policy Management Handbook to reflect this change and continue to provide training.

INTERNAL POLICIES NOT FOLLOWED

Auditors identified many payment card transactions in the sample that were made for purchases of prohibited goods/services and/or were missing required pre-approvals. Department cardholders and supervisors failed to comply with internal policies for using agency-issued payment cards and reviewing these charges. According to the Department, it acknowledged that this is a documentation oversight and is taking corrective measures to prevent recurrence and that the elevated credit card limit was the result of an administrative error.

Among the findings:

- Seventeen payment card transactions were processed by individuals with a standard credit card limit of \$500 per transaction, with a limit of five transactions per day and not more than \$1,000 per month.
- There was no evidence that Procurement and Contracts Office (PCO) approval was obtained prior to using the payment card for 17 purchases. The Department stated that this is a documentation oversight and is taking corrective measures to prevent recurrence.
- The payment card was used for three prohibited purchases: storage rental, internet vendor, and registration for an annual conference, which was a split purchase.



The Department's Payment Card Program Guide states:

- Guidelines to determine whether an individual selected for payment card issuance (Section – Individual Card Approval Guidelines).
- Supervisor determines payment card usage is necessary; cardholder completes a Centralized Accounting and Payroll/Personnel System (CAPPS) requisition for purchase with payment card and submits to PCO for pre-approval prior to each use of payment card (Section – Steps in Making a Purchase).
- Purchases for which the payment card may not be used (Sections – Restriction of Use and Rules of Use).

RECOMMENDATION/REQUIREMENT

The Department must ensure cardholders obtain the necessary pre-approvals for all payment card transactions in accordance with its policy. Cardholder supervisors should conduct the pre-payment review and approval of the cardholder's transaction log, statement, and required supporting documents for each billing cycle to evaluate the appropriateness of transactions, completeness, and accuracy of supporting documents. Staff members must be trained on their responsibilities related to payment card use and transaction reviews.

DEPARTMENT RESPONSE

The payment card/credit card program was fully transferred to the Procurement and Contract Office (PCO) in 2024. Upon review of the program, a new procedure was implemented requiring cardholders to enter a requisition into the CAPPS system for card payments.

In April 2024, PCO sent out an agency-wide announcement of the new program's implementation, effective May 2024. PCO conducted two (2) training sessions in April and May 2024 for all affected staff. These training courses ensured that cardholders understood the revised requisition process, system requirements, and compliance expectations.

In response to preliminary post payment audit findings, all non-PCO staff credit cards had their limits reduced to \$400 in May of 2025.

Effective November 2025, CAPPS receiving is utilized for goods and services to ensure the purchases are received as expected and documentation is retained.

TDA will update the TDA Procurement & Contract Policy Management Handbook to reflect these changes and continue to provide training.

TDA will also update the Payment Card Policy, provide training, and implement performance measures.



PROMPT PAYMENT AND PAYMENT SCHEDULING ERRORS

PROMPT PAYMENT

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

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed, or
- The date the governmental entity receives an invoice for the goods or service.

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

Auditors identified three purchase/procurement transactions and eight payment card transactions where interest totaling \$685.69 was not paid to the vendors. In addition, auditors identified seven payment card transactions and nine travel card transactions totaling \$19.24 where interest was paid, but was underpaid. According to the Department, this was due to oversight. During the audit period, the Department paid vendors \$8,014.82 in prompt payment interest.

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 must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, advance scheduling of payments is always required when it is advantageous to the state.

Auditors identified eight purchase/procurement transactions where the Department paid early, resulting in interest loss of \$1,118.22 to the state treasury. According to the Department, this was due to oversight.

RECOMMENDATION/REQUIREMENT

The Department must review its procedures to ensure it submits payment information for processing as well as releasing the payment on time to avoid incurring interest liabilities. In addition, the Department must verify proper due dates are entered to ensure interest is paid correctly, if due. See [eXpendit – Prompt Payment](#). Also, to minimize the loss of earned interest to the state treasury, the Department 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 described in [eXpendit – Payment Scheduling](#).



DEPARTMENT RESPONSE

Management acknowledges that there have been deficiencies in this process.

- *TDA will use the invoice receipt date when the electronic credit card statement is available instead of the hard copy received in the mail.*
- *All invoices will require receipt into CAPPs to minimize excessive email chains that contribute to late payment.*
- *Payables staff will continue to work with program areas to ensure they are receiving equipment into CAPPs in a timely manner.*
- *All staff processing invoices will be sent to the Advanced Expenditures training as a refresher if they have not already attended in the past two years.*
- *All Accounts Payable staff will attend the CPA Prompt Payment and Payment Scheduling class on January 8, 2026.*

NOTE: Due to the nature of the TDA budget, some items may still end up being late as we await funding from the Federal Government.

TRAVEL TRANSACTIONS

Auditors developed a sample of 40 travel transactions totaling \$42,150.62, seven non-employee travel transactions totaling \$1,251.95, one non-overnight travel transaction totaling \$1,995.00, and 25 travel card transactions totaling \$30,118.32 and two travel card transactions in a report outside the sample totaling \$241.31 (processed during the audit period) 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.

UNAUTHORIZED USE OF STATE-ISSUED 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. Neither of the two was discovered or addressed by the agency's travel coordination staff. According to the Department, the employees inadvertently used the wrong credit card.

Per [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#), state agencies must cancel a state-issued travel credit card when the employee fails to pay the charges on time, uses the card for personal transactions, or misuses the card in any way.

RECOMMENDATION/REQUIREMENT

The Department must monitor state-issued travel card transactions to ensure they comply with applicable rules and requirements. The state credit card administrator offers reports that can help agencies monitor employee travel card use.



DEPARTMENT RESPONSE

This was an isolated incident. The employee accidentally used the travel card for a personal purchase. We reviewed the employee's activity for the following months and did not find any further exceptions. The employee was counseled.

REIMBURSEMENT OF TRAVEL FOR OTHER PERSONS

Auditors found one travel reimbursement where one person paid for and was reimbursed for another person's expenses. In this instance, the employee paid for and was reimbursed for lodging for the second person. According to the Department, organizers for a worldwide conference contacted the Department to inform it that lodging for the conference was sold out and they had lodging in a nearby city 40 miles away. At that point in time, the employee reserved two rooms and paid for the lodging.

Employees may only be reimbursed for travel expenses they personally incur. Under [34 Texas Administrative Code Section 5.22\(b\)\(4\)](#), "[a] state agency may not reimburse a state employee for a travel expense incurred by or on behalf of another state employee, unless: (1) the reimbursement is authorized by law; or (2) the travel expense is incurred while the paying state employee and other state employee(s) are traveling on official state business; the circumstances surrounding payment of the travel expense necessitate the reimbursement of the paying state employee, and the reimbursement of the paying state employee is approved by the state agency."

Agencies must ensure that all travel reimbursements are examined prior to payment to ensure compliance with all applicable regulation and limitations. See [Texttravel – Agency Responsibilities](#).

RECOMMENDATION/REQUIREMENT

Each employee may only be reimbursed for his or her travel expenses under the criteria specified in [34 Texas Administrative Code Section 5.22\(b\)\(4\)](#). The Department must closely monitor its travel reimbursement requests in order to ensure that its employees only receive reimbursement for allowable travel expenses.

DEPARTMENT RESPONSE

This was an isolated incident. The employee accidentally used the travel card for a personal purchase. The employee was counseled and will not repeat in future.

GRANT TRANSACTIONS

Auditors developed a sample of 10 grant transactions totaling \$25,136,012.92, then conducted a limited review of the Department's transactions relating to grant payments. This review consisted of verifying that the payments did not exceed the



authorized amounts. The review of these payments did not include an investigation of the Department's procedures for awarding the grants or monitoring payments made to grantees; therefore, auditors are not offering an opinion of those procedures. Audit tests revealed no exceptions for this group of transactions.

REFUND OF REVENUE

Auditors developed a sample of five refund of revenue transactions totaling \$352,108.25, then conducted a limited review of the Department's transactions relating to refunds of revenue payments. The review consisted of verifying that the payments did not exceed the authorized refund amounts and verifying that the reason for the refund was properly documented. Audit tests revealed no exceptions for this group of transactions.

FIXED ASSETS

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

TARGET ANALYSIS

The audit included target analyses outside the main samples of payroll, purchase, and travel transactions. Using the Comptroller's statewide financial systems and the Citibank CitiManager reporting system, auditors generated several special reports to analyze additional processes relevant to the audited agency. Such processes may include interagency transfers, refunds to payroll, proper coding of payment card transactions, and others. Audit tests revealed no exceptions in the Department's targeted analysis reports.



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 Department of Agriculture (Department) payroll, purchase/procurement, grants, refund of revenue, and travel transactions that processed through the statewide financial systems from Dec. 1, 2023, through Nov. 30, 2024, to determine compliance with applicable state laws.

The Department received detailed information about a list of the identified errors. This information 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 section 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 the Department's documents comply in the future. The Department must ensure the findings discussed in this report are resolved.

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.

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

REPEAT FINDING ICON DEFINITION

-  This issue was identified during the previous post-payment audit of the agency.