



A CONTRACTING AUDIT OF THE DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

AUDIT REPORT #530C-25-01
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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The objectives of the Department of Family and Protective Services (Department) contracting audit were to determine whether the Department:

- Solicited, awarded and managed contracts according to applicable state laws and Comptroller requirements.
- Acquired goods and services in an effective and efficient manner.
- Processed contract payments according to applicable contract terms, state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support the procurement and contracting activities and related payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Sept. 1, 2023, through Aug. 31, 2024.

BACKGROUND

The Department of Family and Protective Services was established by the 78th Texas Legislature on Feb. 1, 2004, as a result of House Bill 2292, which reorganized the state's health and human services system and renamed the Texas Department of Protective and Regulatory Services.

Department of Family and
Protective Services website
<https://www.dfps.texas.gov/>

The Department protects children and vulnerable adults from abuse, neglect, and exploitation. The Department oversees the following programs: Adult Protective Services, Child Protective Services, Child Protective Investigations, and Statewide Intake.

CONTRACT TRANSACTIONS

Auditors reviewed three contracts totaling \$60,500,000. Auditors also developed a representative sample of 18 contract payments totaling \$1,480,742.49 to ensure the Department complied with the General Appropriations Act (GAA), eXpendit (FPP I.005), the State of Texas Procurement and Contract Management Guide, and pertinent statutes. The Department relies on the Procurement and Contracting Services (HHS-PCS) division of Health and Human Services (HHS) for the procurement of its goods and services. Therefore, the reviews were limited to the procurement cycle processes that involved the Department.



AUDIT RESULTS

The Department generally complied with the GAA, relevant statutes and Comptroller requirements. However, the Department should consider making improvements to its processes to ensure all procurement documentation is obtained and payments are made in a timely manner. An overview of audit results is presented in the following table.

TABLE SUMMARY

| CONTRACT | AMOUNT | TYPE OF SERVICE | PROCUREMENT CYCLE | | | | | RATING |
|------------|--------------|--|-------------------|----------------------------------|------------------|---|--|----------------------------|
| | | | PLANNING | PROCUREMENT METHOD DETERMINATION | VENDOR SELECTION | CONTRACT FORMATION/ AWARD | CONTRACT MANAGEMENT | |
| Contract A | \$30,000,000 | Peace, Licensed Personal Protection, or Licensed Security Officer Services | No exceptions | No exceptions | No exceptions | No exceptions | Noncompliance with prompt payment requirements/ prompt payment error | Compliant, Findings Issued |
| Contract B | \$6,500,000 | Nursing Services | No exceptions | No exceptions | No exceptions | <ul style="list-style-type: none"> Missing State Auditor’s Office nepotism disclosure statement. Missing required contract clauses. | Prompt payment error | Compliant, Findings Issued |
| Contract C | \$24,000,000 | Advertising and Strategic Communications Services | No exceptions | No exceptions | No exceptions | No exceptions | No exceptions | Fully Compliant |



DETAILED FINDINGS

MISSING STATE AUDITOR'S OFFICE NEPOTISM DISCLOSURE STATEMENT

Auditors identified one contract where the Department failed to provide a completed copy of the State Auditor's Office (SAO) nepotism disclosure statement or a similar agency-adopted form. According to the Department, this contract issue may have been an unintended consequence of legislative changes during the 87th Legislative Session. These changes exempted the services under this contract from competitive procurement requirements. Department staff was unaware that the change in statute would affect these requirements.

[Texas Government Code, Section 2262.004 \(b\)](#) states that before an agency awards a major contract for the purchase of goods or services to a business entity, each of the agency's purchasing personnel working on the contract must disclose in writing to the administrative head of the agency any known relationship the purchasing personnel has with the contractor. SAO has developed a nepotism disclosure form that agencies may use and update (as necessary) to make this disclosure statement.

RECOMMENDATION/REQUIREMENT

The Department must ensure all procurement personnel involved in awarding contracts of \$1 million or more sign the SAO disclosure statement located on the [SAO website](#) or a similar statement and retain the signed statements in the contract file.

DEPARTMENT RESPONSE

DFPS Purchased Client Services will continue to work collaboratively with HHSC on procurements that meet this requirement.

For procurements that do not include HHSC engagement, for example direct awards and Group Purchase Organization (GPO) procurements, the Purchased Client Services Contract Developer will distribute, collect and maintain the SAO Nepotism Disclosure Statement that meet the dollar threshold as determined by Texas Government Code, Sec, 2262.001 (4).

Contract Oversight and Support will review and revise both policy and the DFPS Contract Handbook to reflect any necessary changes by March 31, 2026. Communication of the updates will be shared with all Purchased Client Services staff.



MISSING REQUIRED CONTRACT CLAUSES

Auditors noted one contract was missing the following required contract clauses:

- Energy Company Boycotts Clause.
- Former Agency Employees Clause (professional services contract).
- No Conflicts of Interest Clause.

The Department agreed and stated these required clauses will be added promptly.

When required clauses are not included in a contract, there is an increased risk that the contract will be in violation of federal or state statutes and rules, which in turn increases the risk that the contract and the Department will be subject to legal challenge or regulatory action.

The [State of Texas Procurement and Contract Management Guide](#) lists various contract clauses that protect the interests of the state. Contract language and wording must conform to the text of the required contract clauses and any additional language must not conflict with or weaken a required contract clause. Procurement staff should seek assistance from agency legal counsel prior to modifying the contract language since slight variations may result in non-compliance with applicable statutes and rules. See [State of Texas Procurement and Contract Management Guide](#) – Contract Terms.

RECOMMENDATION/REQUIREMENT

The Department must ensure all required clauses listed in the [State of Texas Procurement and Contract Management Guide](#) are included in its contracts and solicitations. Required clauses that are omitted, or that use substantially altered language, must be reviewed, and approved by the Department's legal counsel and the justification must be documented in the contract file.

DEPARTMENT RESPONSE

The department has reviewed legal templates and published updates to include missing clauses as standard. The agency is developing revisions to the DFPS Contract Handbook section 3.2.2 Debarred, Divested, or Excluded Parties to include identified missing requirements. Contract Oversight and Support will provide a division wide announcement when the change has been fully implemented.

NONCOMPLIANCE WITH PROMPT PAYMENT REQUIREMENTS/PROMPT PAYMENT ERROR

Auditors identified two payments from one contract and one payment from a second contract that were paid late, and interest was not paid to the vendors. According to the Department, for the two late payments from the first contract, it appears there was an administrative error regarding the accurate date submission to accounting. The



Department also stated that it made two administrative errors including paying the invoice late and using the incorrect invoice received date for the late payment on the second contract.

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

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

Additionally, auditors identified two payments from the first contract where the Department failed to report invoice discrepancies to the vendor within 21 calendar days.

A governmental entity shall notify a vendor of an error or disputed amount in an invoice submitted for payment by the vendor not later than the 21st day after the date the entity receives the invoice and shall include in such notice a detailed statement of the amount of the invoice which is disputed. See [Texas Government Code, Section 2251.042](#).

RECOMMENDATION/REQUIREMENT

The Department must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring prompt payment interest. The Department must also enter accurate due dates to ensure it correctly pays any interest due to vendors. If invoice discrepancies are identified, the Department must ensure it disputes the invoice by reporting it to the vendor within 21 calendar days.

DEPARTMENT RESPONSE

Purchased Client Services Child Watch Support Staff will review each invoice within the required time period to ensure compliance with state laws. As a best practice, all invoices will be reviewed within five business days. Purchased Client Services will notify the vendor of any discrepancies with the invoice within 21 calendar days. Purchased Client Services Child Watch Support Staff will notify Accounting that the invoice has been approved for payment and the accurate date of receipt of the correct invoice. Purchased Client Services Child Watch Support Staff will receive training on this process by March 31, 2026.

The Accounting Division will ensure all relevant documentation for Purchased Client Services Child Watch Support is included with the invoice. The accountants will review and validate the accurate invoice received date. Accounting staff will receive training on this process by March 31, 2026.



APPENDICES

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

AUDIT OBJECTIVE

The objective of this audit was to ensure contracting processes and payments comply with state laws and regulations.

AUDIT SCOPE

Auditors reviewed three contracts awarded by the Department of Family and Protective Services that were processed through the Comptroller's financial systems from Sept. 1, 2023, through Aug. 31, 2024, to determine compliance with applicable state laws.

The Department received detailed information about 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 recommendation made in the Detailed Findings section of this report. 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 |