



A Follow-Up Audit of the State Securities Board

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Executive Summary

Purpose and Scope





In September 2024, the Texas Comptroller of Public Accounts (Comptroller's office) completed a follow-up audit of the State Securities Board (Board) to check the status of the open recommendations the Comptroller's office made in the most recent post-payment audit.

This audit was selected for follow-up using a risk-based approach and the significance of issues found during the recent full-scope audit. The follow-up audit scope is limited to verifying that the Board has designed and implemented controls to address issues noted in the previous audit unless auditors become aware of significant potential issues during planning or fieldwork.

The objectives of this follow-up audit were to determine whether the payroll, purchase/procurement, contract, travel, and internal control structure recommendations made in the post-payment audit (audit report number 312-22-01) issued Oct. 20, 2022, were implemented and to determine whether the expenditures since October 2022 have complied with applicable state laws and rules concerning expenditures and with processing requirements of the statewide financial systems.

Background

The auditors consider recommendations:

-  **Implemented** when agency staff has provided sufficient and appropriate evidence to support all elements of the recommendation.
-  **In Progress** when the agency has specific plans to begin or has begun to implement the recommendation and intends to fully implement it.
-  **Not Implemented** when evidence does not show meaningful movement toward implementation, when no evidence of implementation has been provided, when implementation has started but is expected to take more time, so there has been no measurable progress yet, or when a new recommendation was issued within the last three months.
-  **Not Tested** when an agency did not process any transactions of the type that is tested during the audit period.

The audit methodology included reviewing the Board's corrective action plan and implementation timeline created in response to the post-payment audit. Auditors also selected samples of transactions, reviewed supporting documentation submitted by the Board, and met with agency staff.



Audit Results

The Board stated it continues to work on the outstanding recommendations.

Of the 10 recommendations selected for review:

- Three recommendations were implemented.
- One recommendation was in progress.
- Two recommendations were not implemented.
- Four recommendations were not tested.



Detailed Information

Payroll

Auditors developed a sample of seven employee payroll transactions to review for longevity to ensure the Board complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and relevant statutes. Below is the previous payroll finding and the follow-up audit results.

October 2022 Audit Findings	October 2022 Audit Recommendations	October 2024 Testing	Implementation Status
Incorrect State Effective Service Date/Incorrect Longevity Payment	The Board must continue to research and verify prior state service for its employees. In addition, the Board must ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files. The Board must also compensate the employee for the underpaid amount.	Auditors' tests indicated no occurrences of incorrect longevity payments. In addition, auditors found no issues with prior state service date verifications.	Implemented
Board Response			
<i>The Board agrees with the implementation status listed.</i>			

Purchase/Procurement

Auditors developed a sample of four purchase/procurement transactions totaling \$480,157.77 to ensure the Board complied with the General Appropriations Act (GAA), [eXpendit \(FPP I.005\)](#) and pertinent statutes. Below is a list of previous purchase findings and the follow-up audit results.

October 2022 Audit Findings	October 2022 Audit Recommendations	October 2024 Testing	Implementation Status
Missing Contract Planning and Contract Management Documentation	The Board should reevaluate and improve its contracting and purchase/procurement planning processes to ensure they meet applicable requirements. The Board should develop appropriate procurement cost estimates to select the appropriate procurement method and to comply with statutory requirements based on total contract value, funding source or expenditure restrictions and prohibitions. To ensure successful procurements and transitions from contract development to management and monitoring, the Board should develop acquisition measures, such as qualification evaluation and contract monitoring tools, and maintain the complete records in the contract files.	During the follow-up audit period, there were no new contracts for testing that were subject to these requirements.	Not Tested



October 2022 Audit Findings	October 2022 Audit Recommendations	October 2024 Testing	Implementation Status
Missing Electronic State Business Daily (ESBD) Solicitation/ ESBD Notice of Award Postings	The Board must ensure that any contract over \$25,000 is posted on the ESBD for the proper duration and that staff maintains posting documentation in the contract file. Failure to post a qualifying purchase for the mandatory time could void the contract. See Texas Government Code, Section 2155.083. Additionally, future payments under voided contracts are prohibited, and failure to comply could subject the agency to a reduction in appropriation per Texas Government Code, Section 403.071(h)(5).	During the follow-up audit period, there were no new contracts for testing that were subject to these requirements.	Not Tested
Missing Proof of Central Master Bidders List (CMBL) Search	The Board must use the CMBL for all purchases, including services for which competitive bidding or competitive sealed proposals are required. A dated copy of the CMBL search results from the specified website must be included in the contract file as evidence of the vendor search.	During the follow-up audit period, there were no new contracts for testing that were subject to these requirements.	Not Tested
Missing Proof of Vendor Compliance Verification Checks a. Debarment Check b. Iran, Sudan, and Foreign Terrorist List Organization Check c. Boycott Israel Check	The Board must conduct all VCV checks before any purchase, contract award, extension, and/or renewal and must retain dated results from the specified website in each purchase, procurement, or contract file as proof of having met these requirements.	During the follow-up audit period, there were no new contracts for testing that were subject to these requirements.	Not Tested
LBB Contract Reporting Omission	When posting contracts to the LBB website, the Board must include all contract documentation, including all contracts, amendments, modifications, renewals, and extensions and/or certain types of directly related support records to comply with the General Appropriations Act (GAA), Article IX, Section 7.04 and the LBB Contract Reporting Guide.	Auditors reviewed contracts posted to the LBB website. The Board did not report one contract (GTS valued at \$50,814.52) to the LBB website until 14 months after the contract was completed.	Not Implemented
Failure to Report to the Vendor Performance Tracking System	The Board should revise its policies and procedures to ensure that vendor performance reports are submitted to the VPTS website timely.	Auditors reviewed contracts reported to the VPTS website. The Board did not report one contract (GTS valued at \$50,814.52) until 14 months after the contract was completed.	Not Implemented

Board Response

The Board agrees with the implementation status listed. The contract that was not reported has now been reported to the LBB contract reporting system. A Vendor Performance Tracking System entry for the contract that was not entered into VPTS has now been submitted.



Travel

Auditors developed a sample of five travel transactions totaling \$2,718 to ensure the Board complied with the GAA, [Textravel \(FPP.G.005\)](#) and relevant statutes. Below is a list of previous travel and state travel card findings and the follow-up audit results.

October 2022 Audit Findings	October 2022 Audit Recommendations	October 2024 Testing	Implementation Status
State Travel Card/ State Contracted Vendor Not Used Airfare	The Board must ensure travelers charge all airfare to the state-issued travel credit card and use the state contracts unless an exception is noted.	Auditors reviewed two of the five samples for use of contracted airline vendors and use of the state-issued travel credit card. The Board appropriately and consistently used the state travel card and contracted airline vendors for the airfare. In addition, the Board conducted training for travel and use of state-issued travel credit cards.	Implemented
Missing Documentation of Advance Approval for Out-of-State Travel	The Board must consistently follow TexTravel and its own policy to ensure that all instances of out-of-state travel have written documentation of advance approval by the responsible personnel and that the documentation is included in the travel file.	Auditors reviewed five samples for out-of-state travel advance approvals. One of the five did not have documented evidence of prior approval. It should be noted that prior approval training was conducted.	In Progress
Board Response			
<i>The Board agrees with the implementation status listed. The Board created a more robust method of maintaining approval documentation for out of state travel.</i>			

Internal Control Structure

The review of the Board’s internal control structure was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. Below is the Board’s previous finding for internal control structure along with the follow-up audit results.

October 2022 Audit Findings	October 2022 Audit Recommendations	October 2024 Testing	Implementation Status
Control Weakness Over Expenditure Processing	The Board should continue to review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure that no individual is able to process payments without oversight. See USAS Accounting and Payment Control (FPP B.005)	The audit analysis indicates conflicting employee access previously identified has been corrected. Please note, other agency employees with conflicting roles may be identified in the annual desk audit of the controls over expenditure processing.	Implemented
Board Response			
<i>The Board agrees with the implementation status listed.</i>			



Appendix

Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this follow-up audit were to determine whether the recommendations made in the post-payment audit (audit report number 312-22-01) issued Oct. 20, 2022, were implemented.

Audit Scope

Auditors selected transaction samples of the State Securities Board (Board) covering the open recommendations the Comptroller's office made in the most recent post- payment audit.

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 follow-up audit and verify that the Board has designed and implemented controls to address issues noted in the previous audit.

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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