



An Audit Report on

The Library and Archives Commission's Compliance with Historically Underutilized Business and State Use Program Requirements

- The Commission complied with most HUB and State Use Program requirements.
- The Commission should improve its reporting process for HUB and State Use Program data.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

The Library and Archives Commission (Commission) complied with most Historically Underutilized Business (HUB) Program and State Use Program requirements. However, it did not have an effective process to ensure the accuracy of reported HUB and State Use Program data, which is used to help monitor statewide use of the programs.

The Commission complied with HUB planning and contracting and most subcontracting and outreach requirements. However, it should improve its process to monitor subcontractors' submittal of Progress Assessment Reports and increase outreach opportunities.

• [Audit Objectives](#) | p. 11

This audit was conducted in accordance with Texas Human Resources Code, Section 122.029; Texas Government Code, Section 2161.123; and Article IX, Section 7.07, of the General Appropriations Act (88th Legislature).

LOW

HUB PROGRAM COMPLIANCE

The Commission complied with HUB planning and contracting requirements and most subcontracting and outreach requirements.

[Chapter 1 | p. 3](#)

MEDIUM

HUB REPORTING

The Commission complied with overall HUB reporting requirements. However, it should improve its review process to help ensure the accuracy of reported data, including intergovernmental expenditures, contracts, and bids.

[Chapter 2 | p. 6](#)

MEDIUM

STATE USE PROGRAM

The Commission complied with most State Use Program requirements, but it did not accurately report program exceptions or expenditures.

[Chapter 3 | p. 9](#)

For more information about this audit, contact Audit Manager Hillary Eckford or State Auditor Lisa Collier at 512-936-9500.

September 2024 | Report No. 25-002

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of each chapter in this report. The Commission agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.



LOW

Chapter 1 HUB Program Compliance

The Library and Archives Commission (Commission) complied with most Historically Underutilized Business (HUB) Program requirements.

The Commission complied with HUB planning and contracting requirements.

Planning. The Commission fulfilled the HUB planning requirements established in Texas Government Code, Chapter 2161. Specifically, the Commission adopted the Office of the Comptroller of Public Accounts' (Comptroller's Office) HUB rules as its own and established HUB goals in its *Agency Strategic Plan for 2023–2027*.

Contracting. The Commission had processes in place to comply with HUB contracting requirements that were designed to ensure that eligible vendors have the opportunity to participate in the HUB Program. Specifically, the Commission included HUB vendors from the Centralized Master Bidders List in its competitive solicitation process for all five contracts tested.

The Commission complied with most HUB outreach and subcontracting requirements.

Outreach. To fulfill outreach requirements, the Commission designated an employee as HUB Coordinator, had a mentor-protégé program, and attended two HUB forums. However, the Commission's outreach program was not formalized in written procedures and the Commission could not provide documentation to support its assertion that it informed contractors about HUB presentations related to subcontracting opportunities as required (see text box).

HUB Forum Requirements

Texas Government Code, Chapter 2161, requires agencies with a biennial appropriation exceeding \$10 million to send senior managers and procurement personnel to attend relevant presentations and inform agency contractors about presentations relevant to anticipated subcontracting opportunities.

Subcontracting. For all three contracts tested with an expected value of \$100,000 or more, the Commission:

- Performed subcontracting analysis to identify potential opportunities for HUB subcontractors.
- Ensured that contractors submitted completed and signed HUB Subcontracting Plans (HSPs).
- Included the HSP as a provision of the awarded contract.

Title 34, Texas Administrative Code, Rule 20.285, requires agencies to monitor contractor compliance with HSPs and obtain monthly Progress Assessment Reports (PARs) with each invoice. The PAR is used to verify expenditures paid to subcontractors and calculate reportable HUB subcontracting expenditures for inclusion in the HUB reports. However, the Commission did not have an effective process to monitor receipt of PARs from contractors. As a result, it did not obtain PARs for one of the two contracts tested and could not accurately calculate and report HUB subcontracting expenditures for the fiscal year 2023 annual report (see Chapter 2 for more information about HUB reporting).

Recommendations

The Commission should improve these components of its HUB processes:

- Formalize its outreach program in written procedures.
- Ensure that contractors are notified about HUB presentations and related subcontracting opportunities.
- Strengthen its monitoring process to ensure that all PARs are submitted as required.

Management's Response

Management concurs with the recommendations and will implement the following procedures on or before Dec. 31, 2024.

1. Agency will formalize outreach program by establishing written procedures and training purchasing staff, purchasing liaisons, and end users on the requirements for compliance.
2. Within the written procedures, the agency will outline responsibilities for purchasing staff to forward notifications of HUB presentations and related subcontracting activities from ALL state agencies to agency's vendors, not just events hosted and/or attended by TSLAC purchasing staff.
3. The agency will implement written procedures to strengthen the monitoring efforts to ensure monthly Progress Assessment Reports (PARs) are submitted by awarded vendors.

MEDIUM

Chapter 2

HUB Reporting

Agencies are required to collect and report accurate HUB data to the Comptroller's Office for statewide monitoring of HUB goals (see text box). The Commission complied with the overall reporting requirements. However, it did not have adequate processes to ensure accurate reporting of expenditures, contracts, and bids in the following three HUB reports tested: (1) fiscal year 2023 annual HUB report, (2) fiscal year 2023 semi-annual HUB report, and (3) fiscal year 2024 semi-annual HUB report.

HUB Reporting Requirements

Texas Government Code, Chapter 2161, requires agencies to maintain monthly information relating to the use of HUBs and report the following:

- Total dollar amount of purchases and payments.
- Number of contracts awarded.
- Number of bids, proposals, or other applicable expressions of interest.

The Commission should improve its reporting and review processes.

Non-HUB Expenditures. For all the three reports, the Commission did not exclude intergovernmental contract payments or correctly classify term contract payments as instructed in the Comptroller's Office's reporting procedures. Specifically, the Commission incorrectly classified and included 8 (53 percent) of 15 intergovernmental payments and 3 (15 percent) of 20 term contracts.

Contracts Awarded. The Commission self-reported the number of competitive and non-competitive contracts awarded using data from the Centralized Accounting and Payroll/Personnel System (CAPPS). However, it did not review the data for accuracy prior to reporting. As a result, the Commission overstated the number of contracts awarded by 263, including contracts that were unallowable, outside the reporting period, or unsupported.

Bids Received. The Commission self-reported bids using data from CAPPS. However, it overstated the number of bids received by 90 percent (992 out of 1,101 bids reported) over the three HUB reports tested. The Commission lacked a documented review process that would have helped mitigate reporting errors.

The Commission complied with other HUB reporting requirements.

The Commission properly submitted the following reports:

- *Legislative Appropriations Request for Fiscal Years 2024 and 2025* (including required information such as HUB goals, attainment, and reasons for shortfalls).
- HUB Strategic Plan Progress Report (submitted as part of its *Annual Report of Non-Financial Data for the Year Ended August 31, 2023*).
- *Agency Strategic Plan for 2023–2027* (including a plan to increase the use of HUB businesses in purchasing and overall HUB Program performance).

Recommendations

The Commission should improve its HUB reporting processes by:

- Strengthening its HUB-reporting process for expenditures, contracts awarded, and bids received.
- Reviewing HUB data for accuracy before submission to the Comptroller’s Office.

Management’s Response

Management concurs with the recommendations and will implement the following procedures on or before Dec. 31, 2024.

1. Agency’s Contract Coordinator/HUB Manager will work with purchasing staff to implement procedures to ensure HUB-related information entered into the state’s CAPPS system is verified and cross-checked with information in the Bonfire system for all expenditures, contracts awarded, and bid received for each procurement.

2. The agency's Chief Financial Officer and Budget Analyst will coordinate with the Contract Coordinator/HUB Manager to establish procedures to review reports to ensure records maintained in both the CAPPs are correct and reconciled prior to submitting final reports to the Comptroller's Office.

MEDIUM

Chapter 3

State Use Program

The Commission complied with most State Use Program requirements.

The Commission had a process in place for the Purchasing from People with Disabilities program (State Use Program) and complied with most requirements (see text box for more information about the program). Specifically, the Commission:

- Designated an employee to monitor program compliance.
- Documented the process in its procedures.
- Purchased goods and services from the program vendor.
- Documented reasons and signed approval for exceptions on exception forms.

Agencies are required to report monthly program exception and expenditure data for inclusion in published State Use reports¹ on the Comptroller Office's website. However, the Commission did not adequately train staff or review reported data for accuracy before submission. As a result, the Commission underreported both exceptions and expenditures. Specifically, the Commission reported \$0 in exceptions and \$67,126 in expenditures during the audit scope (September 1, 2022, through February 29, 2024); these amounts did not include the following:

- One exception totaling \$158.

State Use Program

Purpose: To further the State's policy of encouraging and assisting persons with disabilities to achieve maximum personal independence by engaging in useful and productive employment activities.

Requirements: Agencies must purchase goods and services through the State Use Program and report any exceptions to the Comptroller's Office and the Texas Workforce Commission. Exceptions include the following:

- The product or service does not meet the reasonable requirements of the agency.
- The requisitions made cannot be reasonably complied with through provision of products or services produced by persons with disabilities.

In addition, each agency shall designate an employee to ensure that it complies with these requirements.

Source: Texas Human Resources Code, Chapter 122.

¹ See [Texas Purchasing from People with Disabilities Reporting \(txsmartbuy.com\)](https://txsmartbuy.com).

- Program expenditures of \$34,371.

Without accurate monthly reports from state agencies, the Comptroller's Office cannot adequately monitor the program's use and improve compliance with the program.

Recommendations

The Commission should implement processes to ensure accurate reporting of State Use Program data, including:

- Training employees on how to accurately report data.
- Reviewing and approving data before monthly submission.

Management's Response

Management concurs with the recommendations and will implement the following procedures on or before Dec. 31, 2024.

1. Agency's Contract Coordinator/HUB Manager will train all purchasing staff on procedures to ensure HUB and State Use Program data is entered correctly within the CAPPs, and to clarify that while purchases from the Texas Department of Criminal Justice are mandated, these are not considered exempt from nor a part of the State Use Program data.
2. Agency's Contract Coordinator/HUB Manager will provide monthly information to Chief Fiscal Officer for review and approval prior to submitting monthly State Use reports.



Appendix I

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Library and Archives Commission (Commission):

- Complied with statutory requirements and rules that the Office of the Comptroller of Public Accounts (Comptroller’s Office) established to implement Historically Underutilized Business (HUB) Program requirements.
- Reported complete and accurate data to the Comptroller’s Office.
- Complied with requirements related to the Purchasing from People with Disabilities Program (State Use Program).

Scope

The scope of this audit covered the Commission’s HUB activities and State Use Program activities from September 2022 through February 2024, including a review of significant internal control components related to (1) HUB planning, outreach, contracting, subcontracting, reporting activities, and information technology, and (2) State Use Program purchasing and reporting activities.

The following members of the State Auditor’s staff performed the audit:



- Sarah Daigle, CIA
(Project Manager)

- Dirk Henson
- Makoa Shibuya
- Kiara White, CFE
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Hillary Eckford, CIA, CFE (Audit Manager)

Methodology

We conducted this performance audit from January 2024 through September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to the Commission's management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Commission management and staff to gain an understanding of the processes and controls related to the Commission's HUB Program activities and State Use Program activities.
- Reviewed applicable Commission policies and procedures.
- Identified relevant criteria:
 - Texas Government Code, Chapters 2155 and 2161.
 - Texas Human Resources Code, Chapter 122.
 - Title 1, Texas Administrative Code, Chapter 202.
 - Title 34, Texas Administrative Code, Chapter 20.
 - Title 40, Texas Administrative Code, Chapter 806.
 - Article IX, Sections 7.06 and 7.07, the General Appropriations Act (88th Legislature).
 - Comptroller's Office's *Fiscal 2023 Annual Statewide Historically Underutilized Business (HUB) Reporting Procedures*.
 - Department of Information Resources' *Security Control Standards Catalog, Version 2.0*.

- Reconciled three of the Commission’s submitted HUB reports—for fiscal year 2023 semi-annual, fiscal year 2023 annual, and fiscal year 2024 semi-annual—to the Centralized Accounting and Payroll/Personnel System (CAPPS) and the Uniform Statewide Accounting System (USAS). Tested to determine if the Commission complied with applicable requirements in the *Fiscal 2023 Annual Statewide Historically Underutilized Business (HUB) Reporting Procedures*.
- Reviewed the Commission’s HUB rules, goals, coordinator responsibilities, mentor-protégé program, and forums to determine whether the Commission complied with relevant planning and outreach requirements.
- Tested a sample of the Commission’s contracts to determine if HUB solicitation, contracting, subcontracting, and HUB Subcontracting Plan (HSP) and *Progress Assessment Report (PAR)* monitoring activities were performed in accordance with applicable requirements (see Figure 1 for sample information).
- Reviewed reports in the Comptroller’s Office’s Texas Purchasing from People with Disabilities system to determine if the Commission complied with State Use Program reporting requirements.
- Tested user access to the Commission’s procurement system, CAPPS, USAS, and the Comptroller Office’s HUB reporting portal.

Figure 1

Population and Sample Selected for Testing^a

Description	Population	Sample Size	Sampling Methodology
Vendors with contracts more than \$10,000 executed from September 2022 through February 2024.	23	5	Stratified population and selected risk-based sample to gain coverage of purchase types, contract amounts, and procurement method.

^aThis sample was not representative of the population; therefore, it would not be appropriate to project the test results to the population.

Source: CAPPS.

Data Reliability and Completeness

Auditors determined that certain data sets were sufficiently reliable for the purposes of the audit by (1) observing Commission staff extract requested data populations, (2) extracting data directly from USAS, (3) reviewing data queries and report parameters, (4) analyzing the populations, (5) comparing corroborating data populations, or (6) testing selected general controls over the information systems. Auditors determined the following data sets were sufficiently reliable for use in this audit:

- Expenditure, contract, bid, and accounting data from CAPPs.
- Expenditure and accounting data from USAS.
- User access lists from the Commission's procurement system, CAPPs, USAS, and the Comptroller Office's HUB reporting portal.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Library and Archives Commission

Members of the Texas State Library and Archives Commission

Ms. Gloria Meraz, Director and Librarian



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our website: <https://sao.texas.gov>.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), or 1-800-RELAY-TX (TDD); or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government, visit <https://sao.fraud.texas.gov>.