



Legislative Requirement:

An Efficiency Audit of the Public Finance Authority

To address the requirements in Texas Government Code, Section 327.004, the State Auditor's Office reviewed the Public Finance Authority's use of state resources in the following areas: financial resources, personal and real property assets, technology, and staffing.

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State Auditor

The Public Finance Authority (Authority) established appropriate means to assess its efficiency related to its core purpose of issuing commercial paper and bonds. Overall, according to those metrics, the Authority is efficiently managing its costs and timeliness for those issuances. However, the Authority should evaluate whether calculating the average number of days for completing key functions would provide a useful measure for evaluating its efficiency over time.

Auditors did not identify any (1) duplication, overlap, or conflict with other state agencies or (2) misalignment between the Authority's rules in the Texas Administrative Code and its statutory authority and mission.

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This audit was conducted in accordance with Texas Government Code, Sections 327.002 and 327.004.



COST EFFICIENCY

Overall, the Authority met its targets for the cost of issuing commercial paper and bonds.

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TIMELINESS

Overall, the Authority met its timeliness targets for commercial paper and bond debt issues and auditors did not identify any significant inefficiencies within the Authority's general operations.

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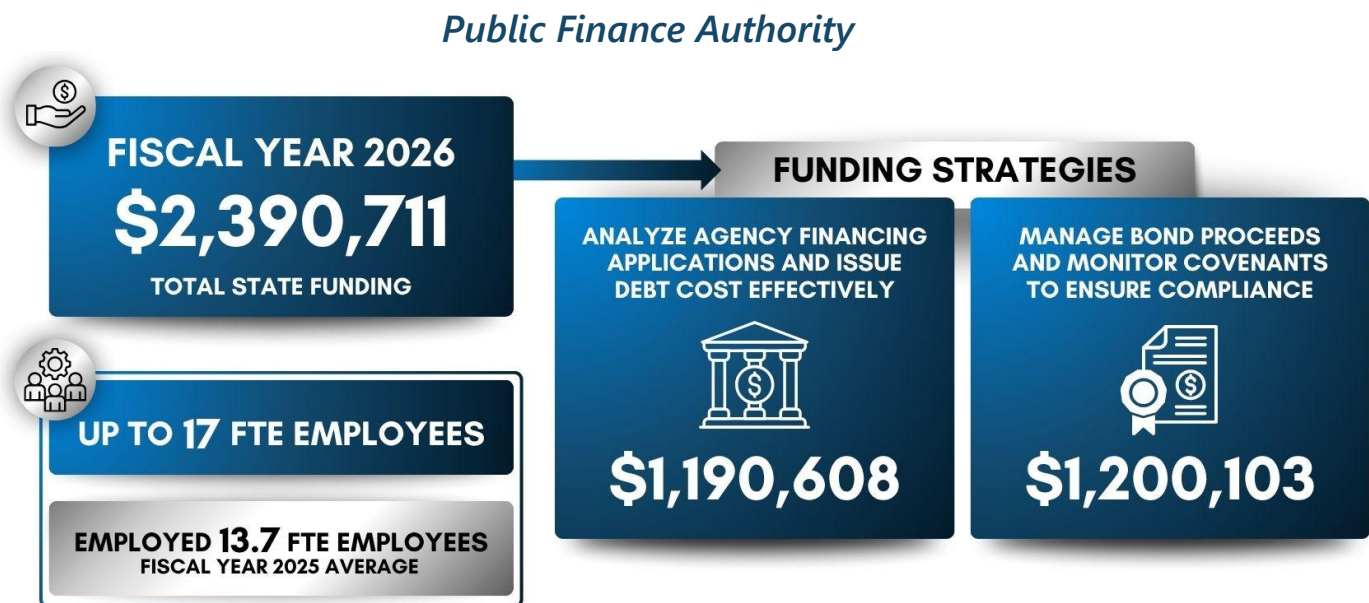
Background Information

Public Finance Authority

The mission of the Public Finance Authority (Authority) is to provide the most cost-effective financing to certain state agencies, educational institutions, and other state organizations to fund capital projects, equipment acquisitions, and programs.

The Authority issues and manages general obligation and revenue bonds for state entities and administers three active commercial paper programs. Commercial paper consists of short-term promissory notes issued to raise cash for immediate needs. Figure 1 provides information about Authority funding and size.

Figure 1



Sources: The General Appropriations Act (89th Legislature); House Bill 500 (89th Legislature, Regular Session); and the Authority’s self-reported full-time equivalent (FTE) data.



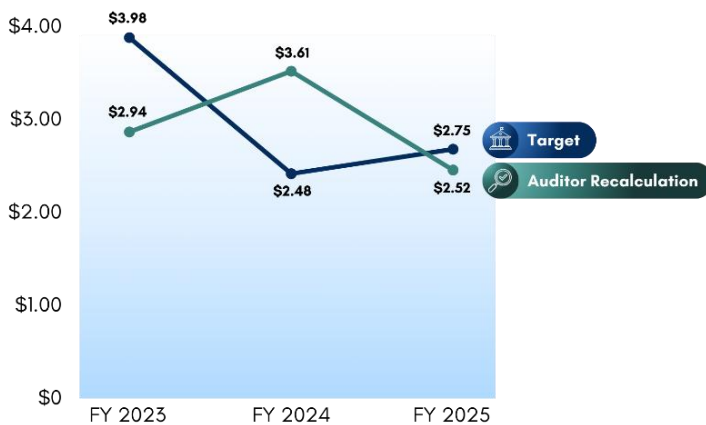
Cost Efficiency

The Authority established appropriate means to assess its financial efficiency related to its core purpose of issuing commercial paper and bonds. According to those metrics, the Authority is efficiently managing its costs for those issuances and overall met its performance targets for the following efficiency measures (see Figure 2):

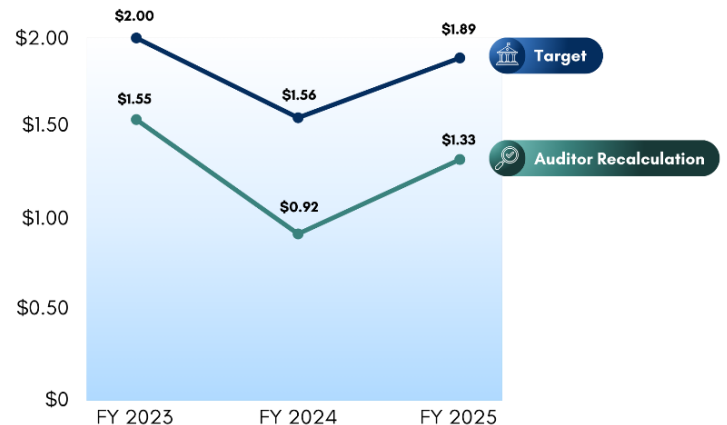
- The Average Ongoing Commercial Paper Cost.
- The Average Issuance Cost per \$1,000 of Bonds Issued.

Figure 2

Average Ongoing Commercial Paper Cost



Average Issuance Cost per \$1,000 of Bonds Issued



Sources: The Authority and the Uniform Statewide Accounting System (USAS).



Timeliness

The Authority established appropriate means to assess its operational efficiency for commercial paper debt issuance and its timeliness for completing bond debt issues. Specifically, as Figure 3 on the next page shows, overall the Authority met its timeliness targets for:

- The Percent of Commercial Paper Issues Approved Within 90 Days of Request for Financing.
- The Percent of Bond Debt Issues Completed Within 120 Days of Request for Financing.

Auditors did not identify any significant inefficiencies within the Authority’s general operations. However, the Authority should evaluate whether calculating an average number of days for issuing commercial paper and bonds would be a more useful measure for Authority management to evaluate changes in efficiency than simply determining whether the 90-day or 120-day targets were met.

Figure 3

Percent of Commercial Paper Issues Approved Within 90 Days of Request for Financing



Percent of Bond Debt Issues Completed Within 120 Days of Request for Financing¹



Sources: The Authority, the Bond Review Board, and the Uniform Statewide Accounting System (USAS).

Recommendation

The Authority should evaluate whether calculating the average number of days for issuing commercial paper and bonds would provide a more helpful metric for Authority management to evaluate efficiency than current timeliness targets.

¹ For fiscal year 2023, the Authority completed two bond issues. Auditors determined that each of those issues took longer than 120 days due to factors external to the Authority.

Management's Implementation Plan

The Authority has evaluated the Auditor's recommendation to adopt new efficiency measures to calculate the average number of days for issuing commercial paper and bonds. Based on this evaluation, we do not believe measuring average days provides a meaningful metric for evaluating the efficiency of the issuance process.

The timeline necessary to issue debt varies significantly across transactions due to many external and internal factors. In many cases, the external factors are outside the direct control of the Authority:

- The length of time that a client submits requests for financing in advance of their need for funds,
- Novel complexity of the associated transaction,
- Scheduling of public meetings of the TPFA Board and Bond Review Board to secure required authorizations,
- Market fluctuations that impact best timing to execute transactions,
- Participation in the transaction by third parties such as other state agencies, units of local government, and others as mandated by legislation, and
- Coordination with key participants including underwriters, financial advisors, bond counsel, as well as staff from the Comptroller and Office of Attorney General.

As a result, setting a target for "average days to issue" that would be applicable across transactions is challenging. The Authority's primary goal is to provide funds to clients when needed and do so in a cost-effective manner. The current timeliness target for "total days to issue" sets a maximum length of time within which the Authority believes most issuances could reasonably be completed. We believe this target is sufficient for evaluating the timeliness of the financing process.



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Public Finance Authority (Authority) is administering selected state resources in an efficient manner according to best practices and applicable requirements.

Scope

The scope of this audit included the Authority’s strategic planning effective for fiscal year 2025; use of space and personal property as of November 2025; and selected processes and performance targets for fiscal years 2023 through 2025.

Internal control was not significant to the audit objective.

Methodology

We conducted this performance audit from September 2025 through March 2026 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 objective.

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



- Brenda Zamarripa, CGAP, CIA (Project Manager)

- Victor Isoh, MPA, CFE (Assistant Project Manager)
- Ann Karnes, MPA, CPA
- Melissa Migl, MSN, CFE
- Sam Minty, CFE
- Theodore Ulmer, CFE
- Henry Vander Vennet
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Matthew M. Owens, MBA, CPA, CFE, CGAP, CIA, CISA (Audit Manager)

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 Authority's management for consideration.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed and conducted walkthroughs with Authority staff to gain an understanding of the Authority's functions, activities, and processes.
- Identified the relevant criteria:
 - Texas Government Code, Chapters 1232, 1401, and 1403.
 - Title 34, Texas Administrative Code, Chapters 221, 225, and 227.
 - Office of the Comptroller of Public Accounts' (Comptroller's Office) *State of Texas Procurement and Contract Management Guide*, version 4.0.
 - The Comptroller's Office's *SPA* [State Property Accounting System] *Process User's Guide*, May 2025 revision.
 - The Authority's policies and procedures.

In addition, to address the requirements for efficiency audits in Texas Government Code, Section 327.004, we performed work in the following areas.

Strategic Planning. Evaluated the Authority's Strategic Plan; reviewed the Authority's rules to determine whether they aligned with the Authority's statutory authority and mission; and compared the Authority's mission and responsibilities with those of other related state agencies.

Financial Resources. Evaluated the Authority's monitoring of its financial efficiency; reviewed the Authority's annual financial reports and financial data from the Uniform Statewide Accounting System (USAS) for fiscal years 2023 through 2025; and evaluated the Authority's processes related to its management consultant contract in effect for fiscal years 2024 and 2025.

Operations. Evaluated process maps and the results of interviews and walkthroughs to identify potential instances of duplicated effort that could be eliminated or other opportunities for the Authority to improve operational efficiency.

Personal and Real Property. Conducted walkthroughs of the Authority's offices to evaluate the efficiency of the Authority's use of space. To evaluate whether the Authority was tracking and managing its state assets as required, auditors tested a nonstatistical targeted sample of 25 items from the population of 386 personal property items with a status of "in-service" in the Centralized Accounting and Payroll/Personnel System (CAPPS). This sample design was chosen to include a cross section of assets based on the expected useful life, value, and age. The sampled items were not representative of the population; therefore, it would not be appropriate to project the test results.

Technology. Reviewed the Authority's current information technology (IT) systems; and evaluated the Authority's processes for opportunities to improve efficiency through increased automation.

Staffing. Tested the Authority's teleworking policy and agreements with staff for compliance with Texas Government Code, Sections 658.011 and 658.012; and reviewed information on the Authority's staffing, employee turnover, and other workforce information.

Data Reliability and Completeness

USAS. For the Authority's expenditures and vendor payments for fiscal years 2023 through 2025, auditors independently ran the expenditures and the vendor payment reports directly from USAS and verified the parameters used and the control totals. The data sets for both expenditures and vendor payments were sufficiently reliable for the purposes of this audit.

Centralized Accounting and Payroll/Personnel System (CAPPS). For the Authority's population of personal property items, auditors independently ran the asset reports directly from the CAPPS Asset Management Module and verified the parameters used and control totals. Auditors also reconciled the CAPPS Asset Management Module data with the data in the State Property Accounting system. The personal property data was sufficiently reliable for the purposes of this audit.



Copies of this report have been distributed to the following:

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The Honorable Dustin Burrows, 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

Public Finance Authority

Members of the Board of Directors

Mr. Lee Deviney, Executive Director



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