



An Audit of Selected Contracting Processes at the Texas Military Department

- The Department demonstrated that it received the goods and services for all nine contracts audited, including three border operations contracts, four emergency contracts, and two competitive contracts.
- The Department should improve communication between Austin headquarters and border operations personnel to substantiate that invoiced items were received prior to payment.
- It also effectively monitored all four emergency contracts audited, but one contract was improperly designated as an emergency.

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The Texas Military Department (Department) received the goods and services for the contracts audited. This included three border operations contracts that the Department procured under the State's disaster declaration. In addition, the Department effectively monitored seven of the nine contracts audited. However, for two of the border operation contracts, the Department should strengthen its onsite monitoring and communication between its headquarters in Austin and border operation personnel receiving contracted items.

For the two competitive contracts audited, the Department complied with state solicitation requirements. It also had sufficient contract payment processes in place.

• *Audit Objective* | p. 8

This audit was conducted in accordance with Texas Government Code, Sections 321.013 and 321.0132.

MEDIUM

BORDER OPERATION AND EMERGENCY CONTRACTS

The Department received the goods and services for three border operation contracts audited, and it effectively monitored the four emergency contracts audited. However, it should strengthen certain monitoring, communication, and procurement processes for those contract types.

[Chapter 1 | p. 3](#)

LOW

COMPETITIVE CONTRACTS AND PAYMENT PROCESSES

The Department appropriately procured and awarded the two competitive contracts audited. It also had automated payment processes to detect duplicate billings and consistently ensured that a purchase requisition or purchase order was created prior to receiving invoices.

[Chapter 2 | p. 7](#)

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of [Chapter 1](#) in this report. The Department 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.



MEDIUM

Chapter 1 Border Operation and Emergency Contracts

The Texas Military Department (Department) demonstrated that it received the goods and services for three border operation contracts audited that were procured under the State's disaster declaration. However, the Department should improve communication between its headquarters in Austin and the border operation personnel receiving the items.

In addition, the Department effectively monitored all four emergency contracts audited, but it should strengthen its processes to prevent procuring routine services as an emergency contract.

The Department received the goods and services for the three disaster contracts audited, but it should improve monitoring and communication with border personnel.

In May 2021, Governor Greg Abbott issued a disaster declaration for the Texas-Mexico border that activated the Department to provide support to the State's border operations.

The Department's three border operation contracts audited related to the disaster declaration were for:

- Military base camp housing and operation facilities.
- Heavy equipment rental for use at the border.
- Development of a personnel management and pay application for deployed personnel participating in border operations.

The three border operation contracts had \$282.0 million in payments between September 2024 and April 2026 and those payments were accurate and supported. In addition, the Department received the goods and services for the three disaster contracts audited. Specifically, for the application development contract, it monitored the status of deliverables with detailed tracking spreadsheets and verified the hours charged by the contractor.

During site visits by the State Auditor's Office to border operation sites in Eagle Pass, the Department demonstrated that it had received housing and operations facilities at its base camp, as well as construction equipment related to its heavy equipment rental contract.

However, the Department's border personnel did not have a process to periodically conduct and document onsite monitoring of the base camp housing contract, such as periodic inspections of the facilities and trailers included on the inventory list. In addition, although border personnel were monitoring heavy equipment using tracking and inventory forms, Austin headquarters was unaware that those forms were available to confirm receipt of items on the border prior to payment. Texas Government Code, Section 2155.322, requires that agencies confirm receipt of contracted items to determine whether the goods or services comply with the contract.

Strengthening the Department's communications and onsite monitoring would help reduce the risk of the State not receiving all goods and services specified in its contracts.

The Department monitored the emergency contracts audited; however, one contract was improperly designated as an emergency.

The Department effectively monitored all four emergency contracts audited to verify that it had received the contracted goods or services (see text box for the definition of an emergency contract). Two contracts were for chiller replacements, one for repairs of a hurricane-damaged airplane hangar, and the remaining contract was for janitorial services. In addition, all payments totaling \$4.3 million for the contracts were accurate and supported.

Emergency Contract

An emergency contract is used when the agency must make the procurement quickly to prevent a hazard to life, health, safety, welfare, or property or to avoid undue additional cost to the State.

Source: *The Texas Procurement and Contract Management Guide*.

However, the Department improperly designated the contract for routine janitorial services for \$60,788 as an emergency procurement instead of obtaining competitive bids. Specifically, the Department did not follow its established process for completing an emergency justification form for that purchase, which would have prompted the purchaser to consider whether the situation truly qualified as an emergency procurement and obtain the required approval.

Because emergency procurements are not required to comply with the State's competitive bidding requirements, it is important for the Department to verify it is using the proper procurement method to reduce the risk of entering into contracts that do not provide the best value for routine goods and services.

Recommendations

The Department should:

- Develop and implement a communication process between Austin headquarters and border operations to ensure that adequate monitoring is provided to substantiate all contracted goods and services are received prior to payment.
- Consistently complete an emergency justification form to validate that an emergency procurement is the appropriate method for obtaining the goods and services.

Management's Response

The Texas Military Department agrees with the recommendations. The Director of Procurement will be responsible for the implementation of the two recommendations not later than 1 June 2027.

The Texas Military Department's Operation Lone Star procurements supported the Governor-directed mission to protect Texans and respond to the declared border disaster. On May 31, 2021, Governor Abbott issued a disaster proclamation under Texas Government Code Section 418.014. Subsequent proclamations reaffirmed that unlawful border crossings posed an "ongoing and imminent threat of disaster for

a number of Texas counties and for all state agencies affected by this disaster."

The Operation Lone Star mission is to secure the border; stop the smuggling of drugs, weapons, and people into Texas; and prevent, detect, and interdict transnational criminal behavior between ports of entry. The Department maintains that its border operations procurements were necessary to execute that mission. The audit confirmed receipt of the goods and services under all three audited border operations contracts and determined that the associated \$282.0 million in payments were accurate and supported. Moreover, the contracting activities for the Forward Operating Base significantly reduced costs through consolidation of operations, life support activities, and contracts.

The Department will strengthen documented onsite monitoring and communication between border personnel and Austin headquarters to substantiate receipt before payment. It will also reinforce completion and approval of emergency procurement justifications and distinguish purchases made under disaster-response authority (TGC 418.014) from other urgent purchases for the agency. These improvements will enhance accountability and operational efficiency without diminishing the Department's responsibility to provide timely support for the Governor-directed mission.

LOW

Chapter 2

Competitive Contracts and Payment Processes

The Department appropriately procured and awarded the two competitive contracts audited and had contract payment processes in place.

Competitive Contracts. The Department complied with state solicitation requirements for the two competitive contracts audited, for which it made a total of \$295,161 in payments between September 2024 and April 2026. One contract was for military facility furniture, and the other contract was for sewer repairs. For both contracts, the Department documented the business need, posted the solicitation, evaluated bid responses and compliance with requirements, and selected the vendor offering the best value. In addition, the Department verified that goods and services were received prior to payment, and the payments matched the invoiced amounts.

Payment Processes. The Department had automated payment processes in place to detect duplicate billings. As a result, it did not make any duplicate payments for the 257 disaster, emergency, and competitive¹ contracts with payments totaling \$670.8 million between September 2024 and April 2026.

In addition, for the 55 competitive contracts with payments during that time period, the Commission consistently ensured that purchase requisitions and purchase orders were created prior to receiving invoices.

¹ This does not include the Department's construction contracts.



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Texas Military Department (Department) has processes and related controls to ensure that it administers selected contracting functions in accordance with applicable requirements.

Scope

The scope of this audit included payment processes for contracts with payment activity between September 2024 and April 2026 and contracting processes for selected contracts.

The audit scope also included a review of significant internal controls related to the Department's contracting and payment processes.

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



- Ann E. Karnes, CPA (Project Manager)
- Meiyi Yan, CFE (Assistant Project Manager)
- Minh Nguyen, CFE
- Isaiah Orozco
- Graham Preston, MBA
- Bianca Pineda, CIA, CISA, CFE, CGAP (Quality Control Reviewer)
- Kelley Ngaide, CIA, CFE (Audit Manager)

Methodology

We conducted this performance audit from February 2026 through September 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 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 Department management for consideration.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed Department staff to gain an understanding of contracting and payment processes.
- Identified the relevant criteria:
 - *State of Texas Procurement and Contract Management Guide*, versions 3.0 and 4.0.
 - Texas Government Code, Chapters 418, 2155, 2156, and 2261.
 - Texas Administrative Code, Title 34, Section 20.487.
 - The Department's *Contract Management Guide*, version 12.20.
- Selected and tested 3 border operation disaster contracts and 4 emergency contracts, including all 421 associated payments, to determine whether the Department properly designated the procurement as a disaster or emergency, properly monitored the contracts, and ensured that the payments were properly authorized and supported.
- Conducted site visits to a base camp and an additional location in Eagle Pass to verify that items were received related to the border operation contracts audited.

- Tested two competitive contracts, including all four associated payments, to determine whether the Department appropriately procured, awarded, and monitored those contracts, and ensured that the payments were accurate and supported.
- Tested user access to the Department's Centralized Accounting and Payroll/Personnel System (CAPPS) and to the procurement and finance division's SharePoint drives.
- Tested edit checks for payment processes in CAPPS to determine whether they were properly designed and operating effectively.
- Analyzed Uniform Statewide Accounting System (USAS) expenditures for duplicate payments to contractors.
- Analyzed and tested CAPPS data to determine whether the purchase requisitions and purchase orders were completed before the Department was invoiced.

Data Reliability and Completeness

Auditors determined that the contract list and procurement data from CAPPS, as well as expenditure data from CAPPS and USAS, were sufficiently reliable and complete for the purposes of this audit. In addition, the user access lists for CAPPS and the Department's SharePoint drives with contracting and payment documentation were sufficiently reliable for the purposes of this audit. For all data, auditors:

- Observed the Department staff's extraction of contracts, CAPPS expenditures, user access lists, or independently extracted for USAS expenditures.
- Reviewed the data queries and report parameters used to extract the data.
- Analyzed the populations for reasonableness and completeness.

In addition, auditors reconciled CAPPS and USAS expenditures for contracts in the population and traced expenditures for contracts audited to contract documentation and invoices.

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 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

Texas Military Department

Major General Thomas Suelzer, Adjutant General

Mr. William M. Gorby, Director of State Administration



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