



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

**REPORT ON THE AUDIT OF  
VENDOR PROCUREMENT FOR COMMUNITY DEVELOPMENT BLOCK  
GRANT – DISASTER RECOVERY**

MAY 2021

---

**OVERALL CONCLUSION**

The General Land Office (GLO), Disaster Procurement Division has policies, procedures, and guidelines for the procurement of goods and services related to Community Development Block Grant - Disaster Recovery (CDBG-DR) activities administered by the agency. The Disaster Procurement division generally provided reasonable assurance of agency compliance with federal and state contract procurement requirements for the administered activities.

During the audit, areas were identified that require revision and maintenance to strengthen the control environment and compliance with agency, state, and federal requirements. The areas identified pertained to the following:

1. Ensure procurement file documentation is complete and appropriately maintained in accordance with state requirements
2. Establish and revise policies and procedures to ensure compliance with State procurement requirements
3. Ensure the inclusion of all eligible vendors in the solicitation notification.

Throughout the audit, there were additional areas of consideration identified as opportunities for improvement, in which the agency could strengthen its internal controls associated with procurement processes for services or goods related to CDBG-DR but did not meet the criteria for inclusion in this report. These areas were presented to management in a separate communication.

**MANAGEMENT’S SUMMARY RESPONSE**

*Management concurs with the recommendations.*

The “Detailed Results” section of this report contains management’s response to each observation.

## ACKNOWLEDGEMENTS

We appreciate the assistance and cooperation provided by the GLO Disaster Procurement Division, Financial Management Division, and Contract Management Division, management, and staff of these areas during this audit. For questions about this report, please contact DeQuincy Adamson at (512) 463-8142, or me at (512) 463- 6078.



Tracey Hall, CPA, CISA  
Chief Auditor of Internal Audit

May 26, 2021  
Date

## OBJECTIVE

The objective of the audit was to evaluate agency compliance with federal and state contract procurement requirements for activities associated with the Community Development Block Grant -Disaster Recovery (CDBG-DR) administered by the agency.

## SCOPE & METHODOLOGY

The scope of the audit consisted of procurements of vendors for CDBG-DR activities related to recovery efforts for Hurricane Harvey (August 2017) during the period of FY (Fiscal Year) 2018 through FY2020.

The methodology consisted of observing processes, interviewing knowledgeable staff, collecting information, performing tests, and analyzing and evaluating the information. We reviewed our draft report with the appropriate management of the program area and solicited comments before issuing the final report.

The audit was conducted in accordance with *Government Auditing Standards and International Standards for the Professional Practice of Internal Auditing*. These 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.

## BACKGROUND INFORMATION

The Texas Comptroller of Public Accounts (TXCPA) Statewide Procurement Division (SPD) is the central authority for state agency procurement guidance, education, and statewide contract development services. The GLO Procurement Divisions function as the contact between SPD, the vendor, and other GLO program areas. The term procurement refers to all aspects of the sourcing activities, including drafting and issuing the solicitation, evaluation of responses, selection of successful respondents, the negotiation of contracts, and the actual purchasing of goods or services. All purchases must be coordinated through the Procurement Divisions and are conducted in accordance with the Texas Procurement and Contract Management Guide, published by the SPD.

The GLO Procurement activities are divided between two Procurement Divisions:

1. Disaster Procurement Division conducts procurement of goods and services utilized for disaster related activities, which are predominately procured with Federal funds.
2. Procurement Division conducts procurement of all other, non-disaster related goods and services utilized by the agency.

The Procurement Divisions are responsible for establishing standard procedures, on behalf of the GLO, for the procurement of products and services in accordance with the Texas Procurement and Contract Management Guide, any other applicable State and Federal procurement requirements. Within this function, Procurement is responsible for conducting the solicitation and vendor selection process, prior to the award and execution of contracts.

The procurement cycle consists of 5 steps as depicted in the following:



1. Procurement Planning: Define the business need and establish the procurement objectives.
2. Procurement Method Determination: Identify the appropriate Procurement Method and, if applicable, issue a solicitation.
3. Vendor Selection: Fairly and objectively select the vendor that provides best value to the State.
4. Contract Formation & Award: Ensure that the awarded contract complies with applicable procurement law and contains provisions that achieve the procurement objectives; and
5. Contract Management: Administer and enforce the terms of the contract.

This audit included a review of the Disaster Procurement Divisions' role and activities conducted for the (2) Procurement Method Determination, (3) Vendor Selection, and (4) Contract Formation & Award steps of the procurement cycle.

## TABLE OF CONTENTS

Overall Conclusion .....	1
Management’s Summary Response.....	1
Acknowledgements.....	2
Objective .....	3
Scope & Methodology .....	3
Background Information.....	3
Table Of Contents .....	5
Detailed Results .....	6
Chapter 1: Ensure Procurement File Documentation Is Complete And Appropriately Maintained....	6
Chapter 2: Establish And Revise Policies And Procedures To Ensure Compliance With State Procurement Requirements .....	8
Section 2.1: Revise Current Procurement Policies.....	8
Section 2.2: Establish Policy Regarding IT Purchase Guidelines and Requirements.....	10
Section 2.3: Establish a Policy Specific to Disaster Related Procurements .....	11
Chapter 3: Ensure Inclusion Of All Eligible Vendors In Solicitation Notification .....	12
Distribution List.....	13

## DETAILED RESULTS

### CHAPTER 1: ENSURE PROCUREMENT FILE DOCUMENTATION IS COMPLETE AND APPROPRIATELY MAINTAINED

---

The Texas Comptroller of Public Accounts (TXCPA) Statewide Procurement Division (SPD), requires state agencies to maintain specific procurement documentation. The TXCPA Procurement and Contract Management Guide states:

- A procurement file checklist is a tool used for documenting compliance with applicable procurement laws, rules, and agency practices<sup>1</sup>.
- The agency is responsible for ensuring that contract documents are retained in the required format for the appropriate amount of time<sup>2</sup>.

Of the CDBG procurement contract files tested during the audit, supporting documentation for 4 of the 10 files tested did not have all the required documents and they could not be provided during the process of the audit. The process for maintaining procurement documents in the files was not being practiced consistently. The following documents were noted as missing from the procurement file:

1. Inquiry from the Contractor Master Bidders List (CMBL)
2. Eligible vendor notification documentation
3. Evaluator non-disclosure agreements and conflict of interest statements
4. Evaluator scoresheets

In addition, in review of the evaluator scoresheets for the sampled procurement files the following exceptions were identified:

1. Vendor evaluation documents contained incorrect or blank data fields
2. Evaluation forms were missing key data such as evaluator's name and respondent's name
3. Incorrect requisition numbers were identified

By not maintaining and ensuring the accuracy and completeness of the required procurement documentation, procurement files do not comply with the TXCPA Procurement and Contract Management Guide, GLO Procurement Policy, and the GLO and Texas State Library Records Retention Schedule for maintaining such procurement documents.

---

<sup>1</sup> The Procurement File Checklist outlines the documents that are required for retention in the procurement file such as the fully executed acquisition plan, emergency justification, final bidder list, scoring matrix, etc.

<sup>2</sup> The GLO Records Retention Schedule and Texas State Library Records Retention Schedule (RRS), section 5.3 Purchasing, requires retention of documentation for seven (7) years after the expiration or termination of the instrument.

## **RECOMMENDATIONS FOR MANAGEMENT**

The Disaster Procurement Division should ensure:

1. All required documents are appropriately documented and maintained in the procurement file, in accordance with the TXCPA Procurement and Contract Management Guide, GLO Procurement Policy, and the GLO and Texas State Library Records Retention Schedule.
2. That all required vendor evaluation documentation is complete and adequately maintained in the procurement file.

## **MANAGEMENT'S RESPONSE**

The CDR Procurement Director delegated authority to the CDR Procurement Manager to do the following prior to contract execution:

1. Review all evaluation documentation to ensure that all entries and calculations are correct; and,
2. Review the contents of the procurement files, including the checklist, to ensure that all documents required by state law or applicable agency rules are complete and present in the file.

After contract execution, the CDR Procurement Director or Manager shall review the post-award contents of the procurement files, including the checklist, to ensure that all documents required by state law or applicable agency rules are complete and present in the file. Any discrepancies found during each review will be addressed with the assigned Purchaser and documented. Upon completion of each review, the Procurement Manager will add an Adobe approval stamp or signature to the checklist validating that all required documents are present in the file.

Implementation Date: June 1, 2021

Contact: CDR Procurement Director

## **CHAPTER 2: ESTABLISH AND REVISE POLICIES AND PROCEDURES TO ENSURE COMPLIANCE WITH STATE PROCUREMENT REQUIREMENTS**

### **SECTION 2.1: REVISE CURRENT PROCUREMENT POLICIES**

The Texas Comptroller of Public Accounts' (TXCPA) Statewide Procurement Division (SPD) is the central authority for state agency procurement guidance, education, and statewide contract development services. The SPD publishes the Procurement and Contract Management guide to aid public procurement professionals in the execution of their duties.

During the audit, there were areas of the GLO Procurement Policy, Procurement File Checklist, and the GLO Historically Underutilized Business (HUB) Policy that were identified as needing revision to ensure full compliance with general procurement practices that apply to disaster procurements, per the TXCPA Procurement and Contract Management Guide. Specifically, the following were identified:

#### **GLO Procurement Policy and Procurement File Checklist:**

1. Last revised January 2019
2. Includes references to a Procurement Manual that is no longer used by the agency
3. Senate Bill 65 Requirements:
  - a. Certification of the vendor assessment process and justification for change to initial scoring.
  - b. Statement of justification for awarding contracts to vendors not receiving the highest evaluation score.
4. Procurement Method: Consulting Services section does not reflect the change in requirement for the Notice of Award of a major consulting services contract be posted to the ESBD rather than the Texas Register.
5. Procurement File Checklist includes references to a prior version of the Procurement Guide
6. Procurement File Checklist does not provide evidence of the procurement Director's review and written certification of the completeness of the file.
7. Additional non-disaster related procurement items identified include:
  - a. Policy does not address the requirement that procurements using the Reverse Auction Procedure procurement method are subject to SPD's delegation authority, as well as the requirements applicable to Electronic State Business Daily (ESBD) posting and reviews by Contract Advisory Team (CAT) and Quality Assurance Team (QAT).
  - b. The Procurement Method - Professional Services section in the GLO Procurement Policy does not address interior design services added to the list of "professional services", or requirements for use of appropriated funds to contract for audit services.

#### **GLO HUB Policy:**

1. Last revised January 2018
2. Reflects HUB goals For FY2018, which are updated annually to reflects current agency HUB goals.

By maintaining up-to-date policies and procurement checklists, it assists procurement personnel in following the most current requirements, thereby complying agency, state, and federal requirements.



## RECOMMENDATIONS FOR MANAGEMENT

The Disaster Procurement Division should:

1. Revise the GLO Procurement and HUB Policies to coincide with the CPA Procurement and Contract Management Guide. Specifically, removing all references to the Procurement Manual, posting to the Texas Register, current HUB goals, and ensuring the most current IT requirement references/links.
2. Implementation of the written certification for the completion of the procurement file review.
3. Update the procurement file checklist to include the correct references to related guidance and requirements.

## MANAGEMENT'S RESPONSE

1. The Procurement Director is currently reviewing and revising the agency procurement policies ensuring that these policies coincide with the CPA Procurement and Contract Management Guide. The HUB Coordinator is currently reviewing and revising the HUB Policy to include the current HUB goals and ensure consistency with the CPA Procurement and Contract Management Guide. The HUB Coordinator will review the policies at least annually to make needed changes.
2. Upon completion of each review of the procurement file, the procurement manager will add an Adobe approval stamp or signature to the checklist validating that all required documents are present in the file.
3. The Procurement Director is currently reviewing and updating the procurement file checklist including any references to related guidance and requirements.

Implementation Date: June 30, 2021

Contact(s):

1. Procurement Director (GLO Procurement Policy); HUB Coordinator (HUB Policy)
2. CDR Procurement Director/HUB Coordinator
3. Procurement Director

## **SECTION 2.2: ESTABLISH POLICY REGARDING IT PURCHASE GUIDELINES AND REQUIREMENTS**

The Procurement Division has drafted a policy which describes how purchases for Information technology (IT) goods and services will be conducted at the General Land Office. Agencies are required to use contracts established by Department of Information Resources (DIR) to obtain Automated Information Systems (AIS) unless the procurement is subject to an exclusion or exemption.

However, the guideline has not been completed or approved. The completion of and approval of the IT purchase guidelines would provide the official direction for IT purchases and guidance to the procurement staff for compliance with state and agency requirements.

## **RECOMMENDATIONS FOR MANAGEMENT**

The Procurement Divisions should complete and approve the draft GLO IT Purchase Guidelines and ensure its compliance with current TXCPA and DIR requirements.

## **MANAGEMENT'S RESPONSE**

The Procurement Director is currently working with GLO ETS Division to finalize the IT purchase guidelines and will ensure compliance with TXCPA and DIR requirements.

Implementation Date: June 15, 2021

Contact: Procurement Director

### **SECTION 2.3: ESTABLISH A POLICY SPECIFIC TO DISASTER RELATED PROCUREMENTS**

The Disaster Declaration by the Governor contains the following language that allows for the suspension of certain requirements pertaining to contracts and procurements:

“Pursuant to Section 418.016 of the code, any regulatory statute prescribing the procedures for conduct of state business or any order or rule of a state agency that would in any way prevent, hinder or delay necessary action in coping with this disaster shall be suspended. However, to the extent that the enforcement of any state statute or administrative rule regarding contracting or procurement would impede any state agency’s emergency response that is necessary to protect life or property threatened by this declared disaster, I hereby authorize the suspension of such statutes for the duration of the declared disaster.”

The current GLO Procurement Policy and the GLO HUB Policy do not make a clear distinction between requirements for disaster related procurements and what is optional. There is only one GLO procurement policy and HUB policy which is applicable to both types of procurements, but not all requirements are applicable to disaster procurements.

For example, the following areas are applicable only to disaster procurements:

1. The requirement for posting to the ESD for a specified period can be shorten if needed to address needs during a disaster.
2. Reviews by the CAT or QAT are not required for disaster specific software procurements.
3. Disaster related contracts may be structured differently in that there may not be a one to one correlation with the procurement and the actual contract award. There are often multiple vendors awarded work orders under an umbrella contract.

Without a clear differentiation of procurement guidance, Disaster Procurement personnel may be following procedures that may impede the process of procurements related to disaster response or on-going recovery activities. By establishing such a policy, this would ensure procurement and agency staff are aware of disaster related procurement requirements and allowable exemptions to the prescribed procurement process.

### **RECOMMENDATIONS FOR MANAGEMENT**

The Disaster Procurement Division should create a policy which clearly identifies the exceptions and requirements related to disaster procurements.

### **MANAGEMENT’S RESPONSE**

The CDR Procurement Director and Manager will develop policies specific to disaster recovery procurements and will ensure that federal and disaster related requirements are met. The policy will include any exceptions to standard procurement practices.

Implementation Date: December 31, 2021

Contact: CDR Procurement Director

### **CHAPTER 3: ENSURE INCLUSION OF ALL ELIGIBLE VENDORS IN SOLICITATION NOTIFICATION**

Per the State of Texas TXCPA Procurement and Contract Management Guide, Centralized Master Bidders List, "If agencies are required to use the CMBL, they must send a copy of the solicitation to all vendors on the CMBL bid list for the advertised National Institute of Governmental Purchasing (NIGP) commodity code(s)." In addition, the guide requires a review and written certification for the completeness of the procurement file by the procurement Director (Agency Verification of Complete Procurement File section).

Part 2 of the GLO Procurement File Checklist requires the inclusion of the solicitation announcement that is issued to all vendors on the Final Bid List to be stored in the procurement file and maintained in accordance with agency and state records retention schedules<sup>3</sup>.

During the audit, it was identified inconsistencies in which identified eligible vendors listed in the Centralized Master Bidders List (CMBL) were notified of the opportunity to bid on GLO request for goods or services. Of the sampled contracts tested:

1. One of the 8 (13%) procurements did not contain documentation of the posting to CMBL in the procurement file, therefore it could not be validated that it was retrieved prior to the solicitation posting.
2. Four of the 8 (50%) procurements did not include all the eligible vendors in the notification communication or it could not be validated due to unprovided documentation.

By not consistently and appropriately notifying all eligible vendors of GLO bidding opportunities, the GLO may not receive the best value for the state and ensure a fair and transparent procurement solicitation process in compliance with the state procurement requirements.

### **RECOMMENDATIONS FOR MANAGEMENT**

The Disaster Procurement Division should ensure that all eligible vendors from the CMBL bid list are included in the solicitation notification and that documentation is adequately maintained in the procurement file as required.

### **MANAGEMENT'S RESPONSE**

Implemented: The CDR Procurement Manager (or Director in Manager's absence) shall review the contents of the procurement files, including the CMBL list, to ensure the list was created on the day the notification was sent to the bidders list and to verify that all eligible vendors are captured. Any discrepancies will be addressed with the assigned purchaser and documented.

Implementation Date: April 10, 2021

Contact: CDR Procurement Manager

---

<sup>3</sup> The GLO Records Retention Schedule and Texas State Library Records Retention Schedule (RRS), section 5.3 Purchasing, requires retention of documentation for seven (7) years after the expiration or termination of the instrument.

## **DISTRIBUTION LIST**

### TEXAS GENERAL LAND OFFICE & VETERANS LAND BOARD

George P. Bush, Texas Land Commissioner  
Mark Havens, Chief Clerk & Deputy Land Commissioner  
Jeff Gordon, General Counsel  
David Repp, Senior Deputy Director, Financial Management  
Brent McNguyen, Deputy Director, Chief Financial Officer  
Warren Collier, Senior Director of Federal Finance  
Vonda White, Director of Disaster Procurement & HUB Coordinator

### GOVERNOR'S OFFICE

### LEGISLATIVE BUDGET BOARD

### TEXAS STATE AUDITOR'S OFFICE

### SUNSET ADVISORY COMMISSION