

# Table of Contents

## 1997 Small Agency Management Control Audit

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August 1997

### Key Points of Report

<b>Executive Summary</b> .....	1
<b>Advisory Commission on State Emergency Communications - Poison Control Program</b> .....	5
<b>Texas Aerospace Commission</b> .....	9
<b>Alternative Fuels Council</b> .....	15
<b>Texas Animal Health Commission</b> .....	21
<b>Texas School for the Blind and Visually Impaired</b> .....	41
<b>Texas Commission for the Deaf and Hard of Hearing</b> .....	47
<b>State Board of Dental Examiners</b> .....	61
<b>Texas Commission on Fire Protection</b> .....	71
<b>Texas Commission on Human Rights</b> .....	85
<b>Texas State Library and Archives Commission</b> .....	99
<b>State Pension Review Board</b> .....	103
<b>Texas Public Finance Authority</b> .....	107
<b>Texas Veterans Commission</b> .....	109
<b>Follow-Up Audits</b>	
Advisory Commission on State Emergency Communications - 911 Program .....	117
Texas Board of Architectural Examiners .....	125

# Table of Contents, continued

Office of Consumer Credit Commissioner .....	131
Texas Funeral Service Commission .....	137
Texas Commission on Law Enforcement Officer Standards and Education .....	155
Board of Private Investigators and Private Security Agencies .....	169
<b>Special Report to the Legislature</b>	
Texas Low-Level Radioactive Waste Disposal Authority .....	191
<b>Appendices</b>	
1 - Objectives, Scope, and Methodology .....	205
2 - Summary of Audit Recommendations by Agency .....	209
3 - Summary of Results of Follow-Up Reviews .....	214
4 - Summary of Performance Measure Results by Agency .....	215
5 - 1996 Appropriations and Full-Time Equivalent Employees by Agency .....	216

# Key Points of Report

## 1997 Small Agency Management Control Audit

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August 1997

### Overall Conclusion

During the management control audits of 13 small agencies and follow-up reviews at 6 small agencies, we identified significant control weaknesses over financial management, contracting, licensing, and human resources at 5 agencies. These control weaknesses could prevent the agencies from ensuring that their missions are achieved or that resources are used appropriately. In addition, we identified five other agencies that have serious control weaknesses but are fulfilling their statutory functions. Nine of the agencies we reviewed have adequate controls. The agencies reviewed concurred with our findings.

In addition, we found that 76 percent (13 of 17) of the performance measures examined were found to be reliable ("Certified" or "Certified With Qualifications"), and 18 percent (3 of 17) were inaccurate. We were unable to determine the accuracy of the remaining 6 percent (1 of 17).

Follow-up audits at six agencies showed that 70 percent of our previous recommendations have been implemented or have no need for corrective action, 13 percent have been partially implemented, and 17 percent have not been implemented.

### Key Facts and Findings

Five agencies audited had significant control weaknesses that could prevent them from meeting their statutory functions:

- Board of Private Investigators and Private Security Agencies
- Texas Funeral Service Commission
- Texas Commission on Fire Protection
- Commission for the Deaf and Hard of Hearing
- Animal Health Commission

Our management control and follow-up reviews identified frequent weaknesses in the following areas:

- Controls over fixed assets, cash receipts, and expenditures (9 agencies)
- Controls over grants and contracts (6 agencies)
- Controls over licensing and examinations (3 agencies)
- Controls over performance appraisal systems and compliance with the Fair Labor Standards Act (6 agencies)
- Physical and access controls over management information systems (7 agencies)

Small agencies should review their controls over the above key areas.

### Contact

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## Office of the State Auditor

Lawrence F. Alwin, CPA

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*This audit was conducted in accordance with Government Code, Section 321.013(c).*

## Executive Summary

**D**uring the management control audits of 13 small agencies and follow-up reviews at 6 small agencies, we identified significant control weaknesses at 5 agencies that could prevent the agencies from meeting their statutory functions. These five agencies have significant control risks over financial management, contracting, licensing, and human resources. Five of the agencies we reviewed have serious control weaknesses but are fulfilling their statutory functions.

In fiscal year 1996, the small agencies at which we conducted management control audits or follow-up reviews collectively received approximately \$380 million in appropriations and employed 1,288 full-time equivalent employees. (See Appendix 5.)

### **High Risk - Five Agencies With Significant Control Weaknesses Are At Risk Of Not Meeting Their Statutory Functions**

- The **Board of Private Investigators and Private Security Agencies** (Board) had significant control weaknesses in the areas of financial management and contracting. The Board falsified 54 travel and purchase vouchers having an aggregate value of \$31,571 and fabricated supporting documentation. In addition, the Board incurred at least \$14,256 in unreasonable expenses for Board meetings and did not pay invoices in a timely manner. The Board did not follow state procedures for obtaining competitive bids for two training courses, and two contracts contained no specifics about what each contractor was responsible for. These two training courses cost a total of \$39,700. (See page 169.)
- The **Texas Funeral Service Commission** (Commission) had significant control weaknesses over licensing. Because the Commission repeated the same examinations for several years, examinees retaking the exams already knew their contents. Furthermore, the Commission needs to strengthen enforcement activities relating to complaints and violations. (See page 137.)
- The **Texas Commission on Fire Protection** (Commission) knowingly charged at least \$5,100 in expenditures to a program for which they were not incurred, and another \$25,747 in charges could not be supported as being properly allocated to the program. The Commission did not perform timely availability-of-fund analyses and had significant control weaknesses over budgeting. In addition, the Commission allowed several employees to work at home without having a formal policy on telecommuting. Several management problems occurred as a result of the top two people in a division not being available on site. (See page 71.)
- The **Commission for the Deaf and Hard of Hearing** (Commission) has not developed a formula for allocating funds to the 23 local councils that provide direct services, as required by its enabling legislation. In addition, the Commission does not provide effective oversight of the councils with whom it contracts for program services and has not developed criteria for selecting councils. The Commission awarded \$667,000 to the councils in fiscal year 1996. Because the Commission has repeated the same examinations for several years, examinees who retake the exams already know their contents. In addition, the Commission

## Executive Summary

sends information in an unusable format to the Texas Guaranteed Student Loan Corporation and, as a result, may be granting licenses to applicants who have defaulted on guaranteed student loans. (See page 47.)

- The **Texas Animal Health Commission** (Commission) had significant weaknesses in contracts, including signing a maintenance contract for a data base that had not yet been developed, beginning a data base development project prior to approval by the Commissioners or by the Information Resource Steering Committee, and lack of documentation to support that the Commission verified work was completed prior to payment or that the best contractor was selected. In fiscal year 1996, the Commission expended approximately \$98,000 in state funds for contracted services. We also noted several important weaknesses in human resource management. (See page 21.)

### **Medium Risk - Five Additional Agencies Need To Strengthen Management Controls But Are Fulfilling Their Statutory Functions**

- The **School for the Blind and Visually Impaired** (School) had significant weaknesses over fixed assets. During our audit, the School was unable to account for over \$575,000 in fixed assets.<sup>1</sup> (See page 41.)
- The **Texas Aerospace Commission** (Commission) fully paid for a \$49,500 interagency contract prior to receiving any

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<sup>1</sup> Subsequent to our audit, the School reported that it had accounted for all but approximately \$37,000 in fixed assets. This has not been verified by our Office.

goods or services. The contract did not include detailed specifications about the goods and services to be delivered. (See page 9.)

- The **State Board of Dental Examiners** (Board) did not provide written notice of the nonrenewal policies for default on Texas Guaranteed Student Loan Corporation loans to applicants for license renewal. The Board is not processing investigations within the time frames established by the Board. (See page 61.)
- The **Alternative Fuels Council** (Council) has not ensured that each contractor submitted all of the required progress reports on a timely basis, despite a contract requirement that they do so. Approximately \$5.3 million had been granted to subrecipients since the program's inception in 1993. This represents 98 percent of the Council's funding since its inception. (See page 15.)
- The **Low-Level Radioactive Waste Disposal Authority** (Authority) used a verbal and not a written request in seeking proposals for its outside legal counsel. The Authority lacked written criteria to evaluate the responses. In addition, the Authority did not retain formal proposals in accordance with its records-retention schedule. Since its selection in 1994, the outside counsel has billed the Authority over \$1.5 million. (See page 191.)

### **Low Risk - Nine Agencies Have Adequate Controls**

Seven of the nine agencies have adequate controls to ensure they fulfill their statutory functions, but have opportunities for improvement:

## Executive Summary

- **Advisory Commission on State Emergency Communications - Poison Control Program** (See page 5.)
- **Texas Commission on Human Rights** (See page 85.)
- **Texas State Library and Archives Commission** (See page 99.)
- **State Pension Review Board** (See page 103.)
- **Texas Veterans Commission** (See page 109.)
- **Texas Board of Architectural Examiners** (See page 125.)
- **Texas Commission on Law Enforcement Officer Standards and Education** (See page 155.)

Two of the nine agencies with adequate controls—the Texas Public Finance Authority and Office of Consumer Credit Commissioner—either had no findings identified or had fully implemented previous recommendations.

### **Controls Over the Data Collection and Calculation of Performance Measures Need Strengthening**

We found that 76 percent (13 of 17) of the performance measures examined were reliable

(“Certified” or “Certified With Qualifications”) and 18 percent (3 of 17) were inaccurate. Factors prevented certification for the remaining 6 percent (1 of 17) of the measures. In the *1996 Small Agency Management Control Audit* (SAO Report No. 97-013, November 1996), 46 percent of the performance measures were reliable, 15 percent were inaccurate, and the accuracy of the remaining 39 percent could not be determined.

### **Follow-Up Reviews Showed Most Recommendations Were Fully or Partially Implemented**

Our follow-up work at six agencies reviewed in previous small agency management control audits showed that 70 percent (81 of 116) of our previous recommendations had been implemented or needed no corrective action, 13 percent (15 of 116) had been partially implemented, and 17 percent (20 of 116) had not been implemented. With regard to recommendations not implemented, agencies’ responses indicate that they plan to address these in the near future.

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Advisory Commission on  
State Emergency Communications  
Poison Control Program

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# Advisory Commission on State Emergency Communications Poison Control Program

## Detailed Issues and Recommendations

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### Overall Conclusion

The Advisory Commission on State Emergency Communications (Commission) has many of the necessary management control systems to ensure that the Poison Control Program is established on a strong base and will be able to effectively perform its statutory functions. However, the Commission should ensure that controls over expenditures are in place and operating effectively.

Our review of the Commission included performing a follow-up review on the previous management control audit of the 911 Program and evaluating the management control systems over the Poison Control Program. Our follow-up review of the 911 Program found that the Commission has implemented most of the prior recommendations but could improve controls over personnel actions (promotions and merit raises) and purchases. (Please see page 117 for our follow-up review of the 911 Program.)

### Background

The Commission has two main responsibilities: promoting and assisting in the implementation of 911 emergency communications and providing a statewide poison control center network accessible to all Texans. The purpose of the 911 Program is to provide fiscally responsible, standardized, and high-quality 911 emergency communications statewide. The purpose of the Poison Control Program is to provide, in cooperation with the Texas Department of Health, a statewide poison control center network that aids in the treatment and prevention of poisonings throughout the State. In fiscal year 1996, the Commission had an average of 20 employees and expenditures of \$15 million.

Section 1:

### The Commission Should Follow Policies and Procedures Relating to Expenditures for the Poison Control Program

Our review of controls over accounting showed that established policies and procedures relating to expenditures for the Poison Control Program are not consistently followed. Four of 13 expenditures tested (31 percent) did not have management's written approval. Although the goods or services were received, five of six expenditures tested (83 percent) requiring a receiving report did not have one attached. Four of 13 expenditures tested (31 percent) were posted to an incorrect account.

The following table shows the results of our testing of expenditures:

# Advisory Commission on State Emergency Communications Poison Control Program

## Detailed Issues and Recommendations

Results of Expenditure Testing for the Poison Control Program			
Category	Approval by Management	Attached Receiving Report	Posted to the Correct Account
Total Number of Applicable Expenditures Tested	13	6	13
Total Number of Expenditures Tested Not Meeting the Requirement	4	5	4
Percentage of Expenditures Tested Not Meeting the Requirement	30.7%	83.33%	30.7%
Total Dollar Amount of Applicable Expenditures Tested	\$2,049,373	\$1,920,426	\$2,049,373
Total Dollar Amount of Expenditures Tested Not Meeting the Requirement	\$31,719	\$1,913,016	\$992,063
Percentage Dollar Amount of Expenditures Tested Not Meeting the Requirement	1.6%	99.6%	48.4%

Written approval of expenditures by management ensures that expenditures are made in accordance with management's intent. Receiving reports ensure that goods and services are actually received before payment. Accurate posting of expenditures helps ensure the integrity of the annual financial report and helps management monitor its expenditures. If purchases are posted to the wrong accounts, management will not have the information it needs to oversee the operations of the program. In fiscal year 1996, the Poison Control Program had approximately \$9.3 million in expenditures.

**Recommendation:**

We recommend that the Commission follow its policies and procedures over the disbursement process. At a minimum, all purchases should be approved by management prior to the actual purchase, receiving reports should be obtained before payment, and a system should be developed to ensure accurate postings of all transactions.

**Management's Response:**

*The state's Poison Control program is a relatively new responsibility of the Advisory Commission on State Emergency Communications (ACSEC), and the Texas*

# Advisory Commission on State Emergency Communications Poison Control Program

## Detailed Issues and Recommendations

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*Department of Health (TDH). In light of the above, the agency has the following response to noted findings:*

- *Approval by Management:*

*All poison control purchases occurred pursuant to a competitively procured purchase agreement (implemented by the General Services Commission). Oversight by management was implicit in that process. In any case, already established management control systems have been strengthened to insure that all staff are aware of the process, and how such systems apply to various expenditure activity. These systems require management to review, approve and sign purchase requests by program staff.*

- *Attached Receiving Report:*

*Agency staff monitored and inventoried all capital equipment purchased under the program in accordance with the purchase agreement described above. In any case, ACSEC did not have, at that time, a documented receiving report process. As a result of this review, the agency has revised its purchase order form to include a receiving report acknowledgment.*

- *Posted to the Correct Account:*

*New to the state treasury, ACSEC continues to work with the Comptroller's Office to insure that expenditure activity is posted to correct accounts. Agency fiscal staff has been enhanced and received additional training to insure that such posting is correct and accurate.*

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Texas Aerospace Commission

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# Texas Aerospace Commission

## Detailed Issues and Recommendations

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### Overall Conclusion

The lack of effective controls over contracting at the Texas Aerospace Commission (Commission) limits its ability to ensure that its resources are used for intended purposes. In addition, the Commission needs to strengthen controls over management information systems, license plate receipts, and human resources.

### Background

The Texas Aerospace Commission was created as the Texas Space Commission on September 1, 1988. Until the 1996-1997 biennium, it received no or nominal funding. In both years of the 1996-1997 biennium, it received approximately \$200,000 in appropriations. On January 26, 1996, a quorum of commissioners was established and the remainder of fiscal year 1996 was spent in strategic and operational planning, setting up an office, and searching for an executive director. At the beginning of fiscal year 1997, the Commission hired an executive director and began its first year as a fully operational agency.

The mission of the Texas Aerospace Commission is to bolster the State's economy through development of economic opportunities in the fields of space and aviation and by fostering working relationships at the decision-making levels of industry, government, and academia. In fiscal year 1996, the Commission had 1.5 full-time equivalent employees and expenditures and encumbrances totaling \$174,427.

Section 1:

### The Commission Had Serious Weaknesses Over Its Interagency Contract

Our review of the \$49,500 interagency contract to develop an interactive database identified numerous contract administration weaknesses:

- The full contract was paid prior to receiving any goods or services.
- The contract was signed by the Chairman of the Board of Commissioners (Board) without Board approval.
- The Acting Executive Director of the Commission was an employee of the organization with whom the contract was made, although he was not directly involved with contracting process.
- No effort was made to identify and evaluate other providers to develop the database.



## Texas Aerospace Commission

### Detailed Issues and Recommendations

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- The contract did not include detailed specifications or deliverables.

The Commission signed an interagency contract with another state entity to develop an interactive database that can be used by industry and the academic community. The database is one of the tools the Commission will have to achieve its legislative mandate to promote the aerospace industry in Texas, and it represents 28 percent of its fiscal year 1996 expenditures/encumbrances.

Despite the fact that the term of the contract was one year, the total contract price was prepaid at the time the contract was signed and before any hardware, software, or service was delivered. Texas Government Code, Section 771.007 permits prepaying interagency contracts only to facilitate the implementation of a federally funded program or if necessary to enable the providing agency to provide the services or resources. Although hardware and software were partially delivered beginning in October 1996, as of July 1997 the design of the database was not completed and the database was not operational. When a contract is prepaid, it is more difficult for the purchaser to ensure that its specifications are met. State entities should only pay for goods and services that have been provided to their satisfaction.

The Board began discussing developing the database shortly after the Board was established in January 1996. However, the specific contract, including the provider and the price of the contract, was never approved by the Board. The Board of Commissioners has ultimate responsibility for the Commission and should have discussed and approved the details of the contract, especially for an expenditure that accounts for 28 percent of its fiscal year 1996 expenditures and encumbrances.

At the time the contract was signed, the Acting Director of the Commission was an employee of the state entity with whom the contract was made. However, the Acting Director was not directly involved with the contracting process. The Commission could provide no information demonstrating that other providers were considered. In order to ensure that the best contractor is selected and a reasonable price paid, it is necessary to ensure the objectivity of the selection process.

The actual contract is vague about details. For example, the contract includes a certain amount for computer and peripheral equipment and for software, but does not provide any detail about the specific equipment and software. The contract identifies training as a deliverable but contains no details about who will be trained, the type of training provided, or the frequency of training. In September and October 1996, the Commission sent the contractor a list of milestone dates and specifications for equipment, but we saw no documentation that they were officially agreed to by the contractor.

There should be sufficient controls over the contracting process to ensure that the best provider is selected, that a reasonable amount is paid, and that the contract activities are monitored on an ongoing basis to ensure that the goods or services contracted for are delivered in a timely manner.

## Texas Aerospace Commission

### Detailed Issues and Recommendations

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#### Recommendation:

We recommend that the Commission establish and implement policies and procedures over contracting. Specifically, these policies and procedures should include the following provisions:

- Assurance that goods and services have been satisfactorily delivered and meet specifications prior to payment
- Circumstances requiring Board approval for contracts
- A selection process be used to ensure that the best provider is chosen and a reasonable price is paid
- Contracts be required to contain details and specifications about goods and services to be provided

#### Management's Response:

*Since the time that the Interagency Contract with the University of Texas was processed, the Commission has hired an Executive Director and the Commission Board and staff have developed policies and procedures to insure that all of the recommendations in the report are implemented.*

Section 2:

### **The Commission Should Improve Controls Over Management Information Systems**

In our review of controls over management information systems at the Commission, we identified areas in which controls could be strengthened. Specifically, we noted the following weaknesses:

- The Commission does not have a disaster recovery plan as required by the Texas Administrative Code.
- The Commission does not take backup tapes to the State Library and Archives or to another secure location on a periodic basis. Instead, staff members store backup tapes at their homes.
- The Commission does not have a written system development life cycle for the database.

## Texas Aerospace Commission

### Detailed Issues and Recommendations

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The Commission lacks a disaster recovery plan that describes how it intends to respond to events that disrupt its normal operations. The plan should include procedures for backing up automated data, priorities for recovery, and the equipment that would be necessary for disaster recovery. In addition, the plan should be tested by being brought down and recovered using backed-up data. Documenting the plan would minimize the impact of the disaster and increases the efficiency of returning to normal operations.

The Commission does not store backup files at an appropriate offsite location or in a fireproof box to ensure the Commission's ability to effectively continue operations if its files are destroyed. Storing tapes at homes is inappropriate because homes are not secure facilities with environmental and access controls.

The Commission has not prepared a system development life cycle. To develop effective automated systems, agencies should prepare a written system development life cycle which addresses planning, development, installation, testing, operations, maintenance, and obsolescence.

Automation controls help ensure that the general environment and computer applications are properly developed, maintained, and protected.

#### Recommendations:

We recommend that the Commission:

- Develop and implement a formal disaster recovery plan.
- Store backup tapes either at an appropriate offsite location or in a fireproof box.
- Prepare a system develop life cycle which addresses the key phases of an automated system.

#### Management's Response:

*As a relatively new agency the Commission still has some areas of operations under development. This is one of them. As the Commission brings the office network, web and mail server, and database system on line disaster recovery is being designed as an integral part of the architecture.*

*The Commission has or will take the following actions:*

## Texas Aerospace Commission

### Detailed Issues and Recommendations

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1. *There is now a tape backup drive in the Commission office which automatically backs up our entire system on a daily and weekly basis, and the tapes will be stored in a fireproof box.*
2. *When development of the system is finished, the Commission will investigate using the satellite host computer, located in the MCC Building at the Center for Space Research, as a further backup to the local tape system.*
3. *Should either or both of these systems be judged to be inadequate after all up systems test, the Commission will investigate use of the West Texas Recovery Center in San Angelo.*
4. *A disaster recovery plan will be prepared.*
5. *A written system development life cycle document will also be prepared when the contracted effort to design and install the system is complete.*

Section 3:

### **The Commission Should Strengthen Controls Over Its Performance Appraisal System**

The Commission's employment evaluation form is vague and lacks objective definitions and ratings. The form requires the evaluator to rate employee performance as "Exceeds Requirements," "Meets Requirements," or "Needs Improvement." No guidelines or examples of employee performance are provided to help the evaluator distinguish between these ratings to ensure objectivity in the appraisal system.

Performance appraisals that provide objective feedback on specific job-related performance to employees support good performance, help to correct poor performance, and provide a foundation for personnel actions such as promotions, merit increases, demotions, and terminations.

#### Recommendation:

We recommend that the Commission expand its performance appraisal system to include specific and objective criteria and develop examples to support each rating.

#### Management's Response:

*Since May 1997 the agency's performance Appraisal System is being developed from the State Auditor's system, using the same logic, formats, and objective evaluations applied to specific job descriptions. The report comments appear to be based on a*

## Texas Aerospace Commission

### Detailed Issues and Recommendations

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*form the Commission was evaluating last March or April and which was given to the Auditor at that time. However, on July 8, 1997 the commission faxed new performance appraisal forms and other information to the Auditor's office along with a request for the State Auditor's Office Performance Development Review Manual on disk so that the information in it can be used by the Commission in developing its own manual.*

Section 4:

### **The Commission Should Properly Account for License Plate Revenues**

As a result of not properly tracking receipts from the sale of license plates with the Commission logo, the Commission underreported revenues in its fiscal year 1996 annual financial report. The Commission reported \$175 in license revenues rather than the correct amount of \$5,825. The Commission earns \$25 for each license place with its logo sold through the Texas Department of Transportation (Department).

Until recently, the Commission did not receive documentation from the Department to show license plate revenues. The Commission determined its license plate revenues by performing a Uniform Statewide Accounting System (USAS) appropriation record inquiry. However, the amount reported in USAS was incorrect because the funds were held in a holding account and not deposited. This was not detected because the Commission did not have a system in place to monitor its receipts.

We commend the Commission for having corrected this situation by arranging to receive reports on license plate receipts from the Department each time a deposit is made, approximately two or three times a week, and by reconciling the reports to the amounts reported in USAS.

#### Recommendation:

We recommend that the Commission continue its system of receiving reports from the Department on license plate revenues and reconciling those reports with USAS.

#### Management's Response:

*After the Fiscal Year 1996 Annual Financial Report was filed and the Commission had hired a staff person with state accounting experience, the Commission began a thorough review of all accounts. That process led to the discovery that license plate funds had been received but not transferred to the Commission's revenue account. The procedures outlined in the report were implemented to insure proper transfer of these funds in the future.*

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Alternative Fuels Council

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# Alternative Fuels Council

## Detailed Issues and Recommendations

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### Overall Conclusion

The Alternative Fuels Council (Council) has established adequate management control systems for financial and policy management. However, the Council can improve its grant monitoring process by ensuring that all required reports are submitted by grantees and by developing a risk assessment process for identifying grantees requiring on-site visits. Additionally, the Council should develop and monitor performance measures and implement an employee performance appraisal process.

### Alternative Fuels Council

#### Background

The Alternative Fuels Council was created by the 73rd Legislature, effective September 1, 1993, to coordinate a comprehensive program in support of the use of environmentally-beneficial alternative fuels. The Council is composed of the Commissioner of the General Land Office, the three Commissioners of the Railroad Commission of Texas, the chair of the General Services Commission, and the chair of the Natural Resource Conservation Commission. The General Services Commission performs the accounting, payroll, and most other administrative functions for the Council.

The Council provides grants to fund vehicle conversion and infrastructure projects for the use of alternative fuels. Changes in vehicle fleet composition are mandated for many state and local government fleets, especially those in Texas' major metropolitan areas, under both state and federal law. The Council's programs are intended to accelerate the transition to alternative fuels and ease its financial impact on state and local governments. The Alternative Fuels Grant Program provides grants to demonstrate the technical and energy efficiency of alternative transportation fuels.

The Council is funded entirely with oil overcharge funds and is part of the State Energy Conservation Office at the General Services Commission. Approximately \$5.3 million has been granted to subrecipients for one-time service contracts since the program's inception in 1993.

The Council is not subject to classification, strategic planning, or performance measurement requirements.



# Alternative Fuels Council

## Detailed Issues and Recommendations

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Section 1:

### The Council Should Improve Its Grant Monitoring Process

The Council has not ensured that each contractor submits all of the required progress reports on a timely basis. Seven of the 10 grantee files reviewed did not contain any progress reports. The remaining 3 grantee files did not contain all the required progress reports.

In addition, the Council does not use a risk assessment process to identify grantees for on-site monitoring visits. Currently, on-site monitoring visits are ad-hoc and not planned based on risk factors. Only 9 of the 44 grantees have received monitoring visits since the program's inception in 1993.

The contract between the Council and each grantee requires that:

- The grantee submit quarterly project update reports to the Council
- The grantee submit a final report to the Council listing the key accomplishments of the grant
- The Council monitor the work performed by the grantee to ensure compliance with the Statement of Work and applicable federal, state, and local guidelines

Without regular status reports and risk-based monitoring, the Council may not be aware of grantees' progress toward achieving contract objectives or whether the progress is satisfactory.

However, prior to reimbursing grantees, the Council ensures that requests are accurate and in compliance with contracts. The Council reviews grantees' requests to ensure that the expenditures are allowable, adequately supported, and do not exceed the contract amounts. Receipts for all reimbursable expenditures are submitted by grantees when making reimbursement requests.

Approximately \$5.3 million has been granted to subrecipients for one-time service contracts since the program's inception in 1993. This amount represents 98 percent of the Council's funding for this time period. These funds were distributed among 44 grant recipients for an average grant of \$120,633.

#### Recommendation:

We recommend that the Council ensure that grantees submit the required reports and that these reports be reviewed and retained in the grantees' contract files. The Council should develop and implement a risk assessment process for identifying grantees that

## Alternative Fuels Council

### Detailed Issues and Recommendations

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may require an on-site monitoring visit. Additionally, progress reports, monitoring visits, and other contacts with grantees should be documented in the contract files.

#### Management's Response:

*The Council agrees with the Auditor's recommendation. A "tickler" system is currently being considered whereby report requests will be generated automatically. However, in light of the Council's potential lack of future funding, the extent of a system implemented will be currently limited to manually generated letters to bring all current contract reports up-to-date. These letters were begun as early as April 1st, and the remainder will be generated and sent by June 15th. Immediate responses are hoped for, though not expected, as some grantees have received the bulk of their funding. In the case of grantees with funds still ungranted, remaining payments will be held until reports are brought to current status.*

*If the Council continues in its functions, a risk assessment model will be instated to identify grantees who would most benefit from a site visit. Grant amount will be the primary criterion, with management, complexity of operations, and public disclosure implications as secondary criteria; tertiary criteria are yet to be determined.*

Section 2:

### **The Council Should Develop an Employee Performance Appraisal Process**

The Council does not have an employee performance appraisal process. Both the Program Administrator and the one Council employee were awarded two-step merit raises in January 1997. However, neither the Program Administrator nor the Council employee has received a written performance appraisal since being hired. The Program Administrator was hired in February 1994. The Council employee was hired in March 1996.

Performance appraisals are a means for the employer to provide feedback to employees supporting good performance, helping to correct and discourage poor performance, providing a foundation for human resource decisions (promotion, demotion, merit increase, and termination), and establishing a basis for an employee's training and development.

#### Recommendation:

We recommend that the Council develop an annual performance appraisal process for both the Program Administrator and the Council employee. The appraisal system

## Alternative Fuels Council

### Detailed Issues and Recommendations

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should be based on specific and measurable job dimensions relating to the individual employee's job duties.

Management's Response:

*The Council agrees with the Auditor's recommendation. If the Council continues in its existence, an evaluation methodology shall be implemented for performance appraisals of the Council's two employees. The Administrator shall be evaluated by the Council members. The appraisal will be based on measurable aspects of employee duties still to be determined.*

Section 3:

### Develop and Implement Performance Measures for the Council

By statute, the Council is not required to develop performance measures and does not do so. Performance measurement is an integral part of agency and statewide planning structures, evaluation and decision-making processes, and accountability systems. Without some useful and reliable measures of performance, the Council may have difficulty in routinely and objectively determining the efficiency and effectiveness of its programs.

Recommendation:

We recommend that the Council develop performance measures that can be used to monitor the Council's progress toward achieving its mission and initiatives. These measures should become integrated in the Council's strategic planning documents. In addition, the Council should develop and implement policies and procedures to ensure that the performance measure results are collected, maintained, and supported by reliable and accurate data.

Management's Response:

*The Council agrees with the Auditor's recommendation. The Council will work to develop quantifiable performance measures based on program goals. The Council's primary function is the administration of grants. Output entails administration of grants, fund disbursement, and monitoring of grantee performance. Grants are not administered routinely, but as needs arise. Measures shall be based, therefore, not on a measurement of grants administered per period or funds disbursed per period, but rather, primarily on the ratio of projects completed to grants administered, and on grantee adherence to grant requirements. Monitoring shall be performed continually.*

**Alternative Fuels Council**  
Detailed Issues and Recommendations

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*Evaluation results shall be collected and maintained in the current system using both manual and computer controls.*

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Texas Animal Health Commission

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# Texas Animal Health Commission

## Detailed Issues and Recommendations

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### Overall Conclusion

The Texas Animal Health Commission (Commission) lacks effective management controls over contracting and human resources, which limits its ability to ensure that resources are used appropriately and that employees are effectively managed. In addition, adequate management controls have not been established over cash receipts, budgeting, automation, and performance measures. Moreover, based on our audit and previous internal and external reviews, it appears that the Commission has not consistently established clear lines of authority, responsibility, and accountability. This in turn has hindered the efficiency and effectiveness of the development, implementation, monitoring, and control of policies and procedures.

Furthermore, the Commission has not fully implemented numerous recommendations made in previous internal and external reviews. Commission management and the governing board should promptly address the issues raised in this report and previous audit reports. In addition, the Commission should ensure that the progress of corrective action is properly monitored and that management is held accountable for timely resolution of the issues at hand.

### Background

The mission of the Texas Animal Health Commission is the prevention, surveillance, diagnosis, control, and eradication of targeted diseases and conditions affecting livestock, poultry, and exotic livestock and fowl. The Commission has a central office in Austin and eight regional offices located throughout Texas. In fiscal year 1996, the Commission had 229 employees and expenditures of \$14.3 million, including over \$3.2 million in federal funds.

Section 1:

### Significant Weaknesses Exist Over Certain Resource Management Processes

The Commission lacks controls over contracts and cash receipts. As a result, the Commission cannot ensure that resources are used for intended purposes.

Section 1-A:

### Establish Controls to Correct Significant Weaknesses in Contracting

Significant weaknesses and errors exist in the Commission's contracting processes. In fiscal year 1996, the Commission expended over \$3.2 million as part of a federal



## Texas Animal Health Commission

### Detailed Issues and Recommendations

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cooperative agreement and \$98,000 for other contracted services, which collectively account for 22 percent of the Commission's total expenditures. A recent federal audit identified numerous errors in the Commission's reimbursement process under its federal cooperative agreement, including over \$55,000 in duplicate billings and unsupported costs. Additionally, in our review of four contracts for database development and automated system maintenance, ranging from \$5,000 to \$32,500, we noted the following:

- The Commission signed a maintenance contract for a database that had not yet been developed. The contract to develop the database was not signed by both the Commission and the vendor until one month after the maintenance agreement was in effect.
- All four contracts were signed by only one Commission employee and not by a Commissioner.
- The initial \$18,000 database development project began prior to Commissioner approval and prior to approval by the Commission's Information Resource Steering Committee. In addition, the Commission did not obtain a signed contract for the development of this database until after the vendor had completed the majority of the database development.
- For one contract, there is no documentation to support that the Commission had verified the vendor's completion of the work prior to payment or that the agreed-upon services were delivered prior to payment.
- Certain contracts lacked essential information including price, payment schedules, and well-defined project deliverables.
- The employee responsible for administering Commission contracts was substantially excluded from involvement in the entire contracting process for one contract. In addition, this same employee was excluded from any involvement in the actual write-up of the four contract documents reviewed.
- One contract had no support indicating that a process was used to select the best contractor and/or best value for the related services. There was no supporting documentation as to the number of offers received or as to how the specific vendor was selected for the contract.

In addition, the Commission has been paying the Texas Veterinary Medical Diagnostic Laboratory (Laboratory) for various laboratory services since fiscal year 1995 without any letter of agreement as required by state regulations. Payments to the Laboratory in fiscal year 1997 are estimated at \$30,000 to \$40,000. The management employee responsible for interagency contracts was apparently not notified of this responsibility for over two years. In addition, responsibility for interagency contracts was not outlined in this employee's job description.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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Proper administration of contracts helps ensure that contractors are held accountable for the delivery of quality services and prevents inappropriate or inefficient use of public funds.

#### Recommendation:

We recommend that the Commission implement the following controls over contracting:

- Establish a policy specifying when Commissioner approval is required for contracts.
- Approve contracts before the work begins on the contract.
- Improve communication channels between upper management and staff, and formally delegate job responsibilities for contracting.
- Include essential information in contracts, including price, payment schedules, and well-defined project deliverables.
- Maintain documentation supporting that the vendor completed and delivered all required services prior to payment.
- Keep documentation on how and why the contractor was selected.

#### Management's Response:

*We will complete and implement policies and procedures related to contracting to ensure that proper and necessary controls are in place and have addressed all the recommendations no later than March 1, 1998.*

Section 1-B:

### **Improve Controls Over Cash Receipts**

Our review of the Commission's cash receipts process identified both a control weakness and noncompliance with a state regulation governing cash receipts. Specifically, we noted that:

- The Commission is not complying with Section 404.094 of the Texas Government Code, which requires agencies to deposit funds in the Treasury no later than three business days after receipt. Nine of the 17 receipts tested (52 percent) were not deposited within the required three days. The

## Texas Animal Health Commission

### Detailed Issues and Recommendations

---

Commission's total cash receipts in fiscal year 1996 were approximately \$28,000.

- Cash deposits are not reconciled against the original receipt log. Consequently, if a receipt is not included in the deposit, it will not be detected.

#### Recommendation:

We recommend that the Commission:

- Make all deposits within the required three days.
- Reconcile cash deposits to the receipt log.

#### Management's Response:

*We have reconciled receipts for fiscal year 1997 to ensure all cash receipts were deposited or forwarded to the appropriate agency. On July 22, 1997, changes were implemented to assure that deposits are made on a daily basis and deposits are reconciled with the receipt log on a monthly basis. Detailed written procedures were drafted on July 30, 1997, and are in the review process.*

Section 2:

## Persistent Weaknesses Continue to Impede the Commission's Policy Management Processes

In our review at the Commission, we identified numerous weaknesses in the Commission's controls over policies and procedures. These weaknesses were identified in past audits, but continue to persist. Overall, it appears that Commission management does not consistently monitor and enforce compliance with human resource policies and procedures and maintain appropriate documentation to support management decisions. The specific weaknesses we identified relate to human resources and budgeting, including:

- Employee complaints
- Compensation/Fair Labor Standards Act
- Recruitment and selection
- Employee appraisal system
- Policies and procedures
- Budgeting

# Texas Animal Health Commission

## Detailed Issues and Recommendations

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In fiscal year 1996, the Commission employed 229 people and had annual payroll-related expenditures of over \$8.1 million, or 57 percent of total expenditures.

Section 2-A:

### Ensure the Proper Handling of Employee Complaints

In our review of the Commission's policies and procedures related to employee relations, we identified significant weaknesses in the Commission's handling of employee complaints. Specifically, we noted that:

- The Commission awarded a merit increase to an employee accused of harassment despite the fact that the complaint filed against this employee was found to have "considerable substance" only two months earlier. Awarding a merit raise in this situation can give employees the impression that management considers harassment acceptable behavior.
- Employee complaints are not investigated and summarized into written findings within the Commission's established time frames. Four of six (67 percent) employee complaints were not investigated and summarized within the Commission's ten-day policy. Also, Commission management was over five months late in responding to a complaint.
- The Human Resources Department does not clearly document the scope of its investigations in all cases, making it difficult to ascertain if all related parties were properly questioned and interviewed.

Improper handling of employee complaints increases the risk of employee lawsuits and interferes with positive employee relations.

#### Recommendation:

The Commission should:

- Conduct investigations within the Commission's established time frames.
- Keep thorough, standardized documentation on the scope of all investigations.

#### Management's Response:

*The complaint policy will be revised and will specify time frames for any action required and will prescribe the use of a checklist to assist staff in meeting prescribed time frames. Additionally, all future investigations will be thoroughly documented and investigation related information will be documented in chronological order so that*

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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*the sequence of events can be readily determined. The policy revisions and checklist will be completed and implemented no later than October 1, 1997.*

Section 2-B:

### **Improve Controls Over Compensation Processes and Compliance With FLSA Requirements**

Our review of the compensation system at the Commission revealed the following:

- The Commission is not complying with FLSA (Fair Labor Standards Act) regulations. Although the Commission performs an annual review of the FLSA status of each job position, it does not maintain documentation to support the FLSA status (exempt or non-exempt).
- The FLSA status for eight employees was entered incorrectly into the Uniform Statewide Payroll System (USPS). Although this issue was initially identified and brought to the attention of the Commission during a prior review conducted by the State Auditor's Office in July 1996, the Commission had not yet taken action to correct this as of the time of our audit.
- In response to an employee survey, 43 percent (50) of 116 respondents did not feel that employee personnel actions (promotions, merit raises) are consistently applied within the Commission. In addition, management of the Human Resources Department feels that favoritism exists in awarding merit raises.
- An employee was given a five-tier "step adjustment" in fiscal year 1995 with no documentation of the employee's increased job responsibilities. In addition, another employee was given a promotion for completing a master's degree without documentation indicating that the employee assumed increased job responsibilities.

An effective compensation system helps to ensure compliance with state and federal regulations, as well as ensure that employees are being compensated fairly and that payroll actions are handled consistently.

#### Recommendation:

We recommend that the Commission:

- Keep documentation to support the FLSA status for individual job positions and payroll actions.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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- Correct the FLSA status for the eight employees that were entered incorrectly into USPS.
- Ensure that merit raises and promotions are fairly and consistently awarded.

#### Management's Response:

*We have created a form to document the FLSA status determination that has been made for each individual job position. The form will be completed for each employee and placed in each employee's personnel file no later than September 15, 1997.*

*The FLSA status in USPS has been corrected for all employees.*

*To assist in assuring that merit raises and promotions are awarded fairly and consistently, a series of management reports has been developed for the Executive Director. This reporting procedure began on June 30, 1997.*

Section 2-C:

### **Enhance Controls Over the Recruitment and Selection Process**

Significant weaknesses were noted in the Commission's controls over the recruitment and selection of employees. We noted an instance where the Commission did not comply with state regulations governing job postings. In addition, the Commission was unable to provide documentation to support hiring decisions. We reviewed a sample of eight "recruitment and selection" files to test for compliance with internal recruitment policies and procedures. Specifically, we noted that:

- The Commission hired externally for a position that was never externally posted, which is against state regulations.
- None of the files contained documentation to support the screening of applications for qualified applicants.
- Department managers declined to interview some of the referred applicants without documenting the criteria used to make this decision.
- Two of the six applicable files (33 percent) did not contain adequate documentation to support why the applicant was selected.

In addition, only one employee screens applications, recommends applicants for interviews, coordinates with the Hiring Division, and verifies adherence to internal procedures and employment regulations without any independent verification that all proper procedures are being performed.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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Following established recruitment and selection policies decreases the risk of hiring the wrong employees or being involved with employment discrimination suits.

#### Recommendation:

We recommend that the Commission:

- Comply with state regulations by properly posting all externally-filled positions.
- Document criteria for selection and all decisions in the recruitment and selection process.
- Have an independent reviewer verify that established procedures are followed.

#### Management's Response:

*We will ensure that all externally-filled positions are properly posted as required by the Texas Labor Code and TAHC policy.*

*In order to more fully document the recruitment and selection process, we implemented the use of an applicant screening form in June 1997. This form requires the hiring manager to document the reasons why a referred applicant was not interviewed and includes a section for the hiring manager to document reasons why an interviewed applicant was or was not selected for the position.*

*We instituted a procedure on August 6, 1997, whereby an independent reviewer verifies that established recruitment and selection procedures have been followed.*

Section 2-D:

### **Strengthen Controls Over the Employee Appraisal System**

The Commission does not have adequate controls in place to ensure that evaluations of employee performance are performed on a timely basis. We reviewed the personnel files of 35 employees and noted the following:

- Nine of the applicable 32 files (28 percent) did not contain an evaluation conducted within the preceding 12 months.
- Two of the applicable 28 employees (7 percent) received salary actions (promotions) when they had not received an evaluation within the preceding 12 months to support the salary action.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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- The Executive Director has never received an evaluation by the Commission during his six years of employment with the Commission.

Performance appraisals provide feedback to employees, which supports good performance, helps to correct and discourage poor performance, and provides a foundation for human resources decisions (promotions, demotions, merit increases, and terminations). Additionally, although state regulations and Commission policies do not require a current evaluation for promotions, it is considered a good business practice to do so.

#### Recommendation:

We recommend the Commission improve controls over the performance appraisal process by ensuring that all employees, including the Executive Director, receive annual performance evaluations and that all salary actions are supported by a current evaluation.

#### Management's Response:

*The management reports referred to in Section 2-B, which were implemented in June 1997, will advise management of impending due evaluations. Failure to evaluate employees will be incorporated as a performance element into all manager evaluations. This process will be completed no later than October 31, 1997. The Chairman of the Texas Animal Health Commission has stated that he will appoint a panel of Commissioners at the first meeting each calendar year to prepare an evaluation of the Executive Director's performance for the previous year.*

Section 2-E:

#### **Establish Financial Policies and Procedures**

As noted in a prior State Auditor report (SAO Report No. 96-503, July 1996), the Commission is lacking current, formalized policies and procedures in several key areas. While our audit did not include a comprehensive review of policies and procedures for all functions, we did note that:

- Policies and procedures for payroll, travel, cash disbursements, and cash receipts are outdated. Documented policies and procedures for these functions were developed over 20 years ago and are not based on current practices.
- No formalized policies and procedures exist for fixed assets.
- Although policies and procedures for purchasing processes have been formalized, they have not yet been approved and implemented.



## Texas Animal Health Commission

### Detailed Issues and Recommendations

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Policies and procedures ensure that employees are adequately informed about rules and regulations, and, if followed, help maintain effective controls over resources.

#### Recommendation:

We recommend the Commission:

- Develop and/or implement policies and procedures for payroll, travel, cash disbursements, cash receipts, fixed assets and purchasing.
- Communicate the policies and procedures to the staff members that perform financial functions.
- Periodically review the policies and procedures to ensure they are current and appropriate.

#### Management's Response:

*There are no current comprehensive, written policies and procedures in place for payroll, travel, cash disbursements, cash receipts, fixed assets, and purchasing/contracting. We have drafted policies and procedures for travel. Detailed policies and procedures are being developed for the other areas of concern and will be implemented no later than August 31, 1998. We will also ensure that the policies and procedures are communicated to the staff that performs financial functions. The new policies and procedures will prescribe a maintenance schedule to ensure that the policies and procedures are kept current and appropriate.*

Section 2-F:

### **Improve Policies and Procedures Over the Budgeting Process**

Although the Commission has improved the controls over its budgeting process in the last few years, some budgetary policies and procedures still need to be developed and implemented. Specifically, we noted that:

- No policies are in place for determining when budgeting issues should be reviewed and approved for action by the Commissioners, with the exception of approving the annual operating budget. While budgeting information appears to be shared with Commissioners, there is no policy to address their role in relation to approving budget amendments that increase the total dollar amount of annual budget, approving budget transfers above a certain dollar threshold, and approving the use of unbudgeted funds and unexpended balances.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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- Budget information provided to departments lacks the necessary detail needed to monitor departmental budgets.
- Current policy does not specify the materiality level when a department must provide the reasons for budget variances.

Proper controls over budgeting help to ensure that resources are allocated and spent as intended and in accordance with the goals, objectives, and strategies of the Commission. Providing managers with an appropriate level of expenditure detail helps them monitor the programs for which they are responsible.

#### Recommendation:

We recommend that the Commission:

- Establish policies and procedures that specify when budget issues require review and approval by the Commissioners.
- Define the Commissioners' role in approving budget amendments, budget transfers, and using unbudgeted funds and unexpended balances.
- Provide budget and expenditure details to managers.
- Implement a policy specifying the materiality level at which a department must support budget variances.

#### Management's Response:

*We will develop and implement budget policies and procedures that address the recommendations no later than September 30, 1997. We will work after that time on further enhancement of budget related policies and procedures.*

*We are in the process of creating a detailed budget and expenditure report for managers to use. We expect to provide this report to managers by the close of the first quarter of fiscal year 1998.*

Section 3:

## Controls Are Lacking to Safeguard Automated Systems

Our review of the Commission's automated systems identified weaknesses in the physical security and access controls over automated systems, as well as deficiencies in the systems development life-cycle process. Automation projects planned at the

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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Commission between fiscal years 1996 and 1999 are estimated to cost approximately \$1 million.

Section 3-A:

#### **Establish Protective Measures Over Automated Systems**

The Commission has not established adequate protective measures over its automated systems. Although procedures have been implemented to ensure periodic back-up of automated files, we noted the following weaknesses over computer operations and physical security:

- No risk analysis has been performed over automated systems to identify automated system vulnerabilities and high-risk data.
- No security plan or disaster recovery plan with related policies and procedures has been developed and implemented.
- There is no assigned responsibility for physical security to the computer room or fire prevention.
- Physical access to the computer room is not limited to computer staff.
- There is currently no protection against water damage in the computer room.

According to guidelines developed by the Department of Information Resources (DIR), state entities were required to develop and implement these protective measures by September 1, 1995. Protective measures help ensure that automated systems and related data are properly safeguarded in the event of a disaster. They also reduce the risk of improper access, which can result in fraud and misuse.

#### Recommendation:

We recommend that the Commission:

- Perform a risk analysis of its automated systems.
- Develop and implement a security plan that includes disaster recovery and specifies physical controls over computer operations.

#### Management's Response:

*We will contact our Risk Management analyst this month to enlist his assistance in performing a risk analysis as soon as this report is finalized. We are developing a*

# Texas Animal Health Commission

## Detailed Issues and Recommendations

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*security plan which includes a disaster recover plan and specifies physical controls over computer operations and expect to have the plan in place no later than March 1, 1998. We would like to note, however, that an Information Resources (IR) staff member has been assigned responsibility for the physical security of the computer room and for fire prevention. Additionally, physical access to the computer room has been limited to computer staff only.*

Section 3-B:

### **Improve Access Controls Over Internal Automated Systems**

The Commission has not established adequate controls over access to its automated systems. Specifically, we noted that:

- Access to three of the Commission's databases does not require user identification and a password.
- There is no accountability for establishing or changing user accounts and passwords, such as a manual or automated log to track changes to user accounts.
- The Commission cannot track access and changes to data for nine of its ten databases. There is no automated log or journal to monitor access to program documentation, systems software, production programs and data files, and on-line applications systems. The Commission is in the process of restructuring all of its databases at an estimated cost of \$200,000.
- Employees do not have individual security profiles.
- The computer programmer has access to "live" programs and is not prohibited from adding, replacing, or deleting production programs.

Proper maintenance and monitoring of user accounts, passwords, and security profiles are important in deterring improper access and intrusion. Audit trails help ensure accountability for all access and changes to sensitive data and information.

#### Recommendation:

We recommend that the Commission:

- Control the access to databases through passwords and user identifications.
- Develop and maintain a manual or automated log to track the establishment or modification of user accounts as well as an automated log within each of the

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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newly developed systems that provides an audit trail for all access and changes to data.

- Develop and maintain security profiles for each employee.
- Consider the cost-benefit of preventing the computer programmer from accessing “live” programs and from adding, deleting, and replacing production programs. If implementing such controls is not cost-effective, the Commission should implement compensating controls to minimize the risks associated with such access.

#### Management's Response:

*We will move immediately to control access to the three databases identified through the use of individual passwords and user identifications. We will immediately begin to maintain a log to track the establishment or modification of user accounts. Additionally, each new application being developed will have an automated log that provides an audit trail for all access and changes to data. We are presently determining the requirements for security profiles for each employee and will have this implemented no later than March 1, 1998. We will conduct a cost-benefit analysis of a policy that prevents the programmer from accessing “live” programs and from adding, deleting, and replacing production programs. The analysis will be completed no later than October 1, 1997.*

Section 3-C:

### **Enhance Access Controls Over State Automated Systems**

We noted weaknesses in access controls over the Uniform Statewide Accounting System (USAS) and Uniform Statewide Payroll System (USPS). Specifically, we noted:

- All three accounting personnel that have expenditure approval authority in USAS also have the security access to enter, change, and release both expenditures and journal vouchers. The Commission is currently in the process of separating out these access capabilities on USAS based on a prior audit recommendation.
- Four of the Commission's accounting personnel can both establish vendor accounts and enter payments, while two of these same employees can also release payments within USAS.
- Under the current security configuration for USPS, the employee performing the monthly payroll reconciliation can also initiate certain payroll transactions.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

---

- All six Commission employees with USPS access can initiate payroll actions even though only two need and use this access.

Proper segregation of duties decreases the risk of errors and irregularities (unauthorized payments) from occurring and remaining undetected.

#### Recommendation:

We recommend the Commission review and modify security profiles to USAS and USPS to ensure that access levels are appropriate and that a proper segregation of duties is maintained.

#### Management's Response:

*We are modifying our USAS security profiles to ensure that access levels are appropriate and that a proper segregation of duties is maintained. Entry of the requests for change are in process. We are presently reviewing our USPS security profiles and will modify those profiles no later than August 31, 1997.*

Section 3-D:

### **Refine the System Development Life-Cycle Process**

The Commission's current system development life-cycle methodology is incomplete. At the time of our audit, the Commission had ten databases in operation, eight of which were developed in or prior to 1990. For these ten databases, we noted the following omissions in the system development life-cycle process:

- No documentation exists on application design and development, including detailed input, output, file, and processing specifications.
- There are no written programming standards.
- Documentation for the recently completed Area Operating System (AOS) is substantially incomplete, with no standards or guidelines for data entry or the update and modification of records.
- There were no formalized test and acceptance criteria for the recently completed AOS and Permit Tracker systems. In addition, test and acceptance criteria have not been developed and included in any of the Commission's current contracts for its \$200,000 database restructuring project.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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A comprehensive system development life-cycle process helps ensure that automated systems are properly developed, maintained, and protected; it also helps maintain the accuracy and integrity of automated system data.

#### Recommendation:

We recommend that the Commission:

- Maintain documentation on application design and development, programming standards, and standards and guidelines for data entry and data modification.
- Develop test and acceptance criteria for all applicable automation projects.

#### Management's Response:

*We will work during fiscal year 1998 to develop the needed standards and will complete them as soon as possible but expect completion to be no later than August 31, 1998. We will develop test and acceptance criteria for any new automation project prior to letting contracts.*

Section 4:

## Strengthen Controls Over the Reporting of Performance Measure Data

The Commission has weaknesses over its processes of compiling, reporting, and documenting performance measure data. Agencies are required to compile performance measure data and enter this data into the State's Automated Budget and Evaluation System for Texas (ABEST) on a quarterly basis. In our review of the Commission's performance measure processes, we noted the following conditions:

- No separation of duties exists between the actual data entry and verification of data entry into ABEST. There is also an improper separation of duties in that only one employee performs all of the following functions: processing some source transactions prior to data entry, accessing computer programming code used to produce measure calculation reports, and performing analyses of these reports to compile measure results.
- The computer programming code creating the reports used to calculate the bovine tuberculosis and bovine brucellosis prevalence performance measures is not properly documented. Furthermore, the Commission does not maintain appropriate documentation of the critical manual desk review performed on these reports.

## Texas Animal Health Commission

### Detailed Issues and Recommendations

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- Errors noted in prior performance measure data are not corrected in ABEST in a timely manner. An error made in a fiscal year 1997 first quarter key performance measure, “average number of days from identification of herd or flock to diagnosis” has not yet been corrected within ABEST, although the error was initially identified in March 1997. Upon correction, the affected measure will change from 29 days to 73 days, a 150 percent increase.

Proper controls help ensure that performance measure data is reported accurately and timely, and is adequately supported.

#### Recommendation:

We recommend that the Commission:

- Separate the functions of data entry and verification of data entered into ABEST. Duties should also be separated so that persons with performance measure calculation responsibilities do not also extract supporting data from the related automated systems or perform related data entry.
- Establish formal policies and procedures for data entry and related corrections into ABEST.
- Keep documentation to support performance measure calculations as well as the computer programming code that generates the supporting reports.
- Ensure that any errors identified in previous performance measure data are corrected in ABEST within a reasonable time frame.

#### Management's Response:

*Effective September 1, 1997, we will separate the duties and responsibilities to ensure that each of the following tasks is performed by a separate employee:*

- *create computer programmer code and extract data;*
- *take raw data and calculate performance measures data;*
- *review performance measures calculations and analyze data to ensure correctness, and draft justifications;*
- *enter data into ABEST.*

*We are working on formal policies and procedures for data entry and related corrections into ABEST and should have these completed no later than December 31,*



**Texas Animal Health Commission**  
Detailed Issues and Recommendations

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*1997. We have taken steps to ensure that the proper documentation to support performance measure calculations as well as the programming code that generates the supporting reports are maintained. Specific time frames will be established for correcting errors in the formal policies and procedures that are being prepared.*

**Texas Animal Health Commission**  
Detailed Issues and Recommendations

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**Results of Performance Measures Review**

**Agency 554**

**Fiscal Year 1996**

Description	Classification	Results	Certification	Comments
Percent Change in Known Prevalence of Bovine Brucellosis from 1994 Levels	Outcome	-58.26%	Certified With Qualifications	The measure is certified with qualifications due to control weaknesses surrounding the gathering and compilation of performance measure data. Specifically, there is a lack of documentation showing performance measure calculations and an inappropriate separation of duties over the compilation, input, editing, and verification of performance measure data.
Percent Change in Known Prevalence of Bovine Tuberculosis from 1994 Levels	Outcome	-28.57%	Factors Prevented Certification	Due to the inconsistent inclusion of non-bovine species in the measure calculation, this measure could not be certified. The measure could not be calculated within State Auditor's Office tolerance limits. Additionally, there are weaknesses in surrounding controls including a lack of documentation showing performance measure calculation as well as an inappropriate separation of duties over the compilation, input, editing, and verification of performance measure data.

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Texas School for the  
Blind and Visually Impaired

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# Texas School for the Blind and Visually Impaired

## Detailed Issues and Recommendations

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### Overall Conclusion

The Texas School for the Blind and Visually Impaired (School) has adequate resources in place to ensure that it fulfills its statutory functions. However, as a result of significant control weaknesses over fixed assets, the School cannot ensure that the balance sheet is fairly stated or that fixed assets are used for intended purposes. In addition, opportunities for improvement exist for controls over cash management and data security. Control weaknesses over performance measures resulted in their being certified with qualifications.

The School has adequate control systems in place to ensure that it performs its statutory functions of developing the skills needed for visually impaired children and youths to lead productive lives.

### Background

The School is responsible for providing opportunities for visually impaired children and youths, including those with additional disabilities, to develop the vocational, personal, and social skills necessary to lead satisfying and productive lives. The School is governed by a nine-member Board of Trustees, which functions in a similar manner as an independent school district board of trustees. In fiscal year 1996, the School received appropriations of approximately \$11.7 million and had 380 employees.

Section 1:

### The School Should Implement Controls Over Resource Management

Significant control weaknesses exist in the areas of fixed assets and cash management. As a result of the control weaknesses, the School cannot ensure that assets are used effectively or detect misuse in a timely manner. These control weaknesses include:

- Deficiencies in the control of fixed assets
- A lack of controls over cash management

Section 1-A:

#### Correct Significant Weakness Over Fixed Assets

A significant control weakness exists in the area of fixed assets. As of April 1997, the School had not located or otherwise accounted for 389 inventory items valued at \$576,370. Examples of unaccounted for fixed assets include laptop computers, printers, braille equipment, washing machines, wall cabinets, and a mahogany piano.

## Texas School for the Blind and Visually Impaired

### Detailed Issues and Recommendations

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The unaccounted for inventory amounts to 17 percent of the \$3,386,000 in inventory reported by the School in its fiscal year 1996 certification of physical inventory. Management certified the amount reported as correct, even though it knew items could not be accounted for.

Although the School tags inventory with permanent markers, it does not assign inventory items to specific personnel or perform monthly reconciliations with the Statewide Property Accounting System.

Without proper controls over fixed assets, the School cannot ensure that they are used to support the School's mission. Adequate controls are essential to safeguarding the assets of the School and to detecting errors and irregularities promptly.

#### Recommendations:

We recommend that the School:

- Certify physical inventory only when confident that the amount reported accurately reflects inventory in the School's possession.
- Perform monthly fixed asset reconciliations as recommended in the SPA system guidelines.
- Assign fixed assets to specific users and obtain signed receipts from the users to whom the assets are assigned.

#### Management's Response:

*The School agrees that improvements in the control of fixed assets are needed. Since the field work of the State Auditor in April 1997, we have conducted an extensive search for the 389 inventory items that were not accounted for. As of the date of this letter, we have located or otherwise accounted for all but 23 items, valued at \$37,264. This unaccounted for inventory amounts to 1.1 percent of the \$3,386,000 in total inventory reported by the School.*

*The School has adopted a new property accounting procedure and has developed and is following a schedule for its implementation. This procedure was being developed prior to the start of the auditor's examination and was completed and adopted during the time the audit was in progress. Implementation of the procedure was begun upon its adoption by management.*

*We concur with the recommendations of the State Auditor and are currently in the process of implementing the assignment to specific users. We will certify the physical inventory only when we are confident that the amount reported accurately reflects the*

## Texas School for the Blind and Visually Impaired

### Detailed Issues and Recommendations

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*inventory in the School's possession and we will begin to perform monthly fixed asset reconciliations as recommended in the SPA system guidelines.*

Section 1-B:

#### **Implement Standard Accounting Controls Over Cash**

Controls over cash do not provide reasonable assurance that School receipts are protected from loss, misuse, or abuse. We noted a lack of segregation of duties over cash management in the following areas:

- Only one individual operates the snack bar. This person opens and closes the snack bar, takes and fills all orders, counts the money, and completes the daily cash balance sheet. Although order forms are prepared for each order, they are not pre-numbered, nor is there a cash register which tracks sales and cash received. Thus, there are no controls to ensure that the orders and the cash turned in daily are complete. In addition, if the individual who manages the snack bar is unable to work, then the snack bar is not opened for business. The snack bar generates approximately \$18,000 in cash sales each year.
- Only one person opens the mail.

In both of these examples, if an error or irregularity occurred, it would not be detected. The School needs to implement controls to ensure that there is a separation of duties between those who handle money and those who account for it.

#### Recommendations:

We recommend that the School:

- Consider the cost/benefit of having two people to run and staff the snack bar and two to open the mail and prepare the deposit slip.
- Purchase a cash register for the snack bar operation and implement the controls reasonably necessary to ensure that all cash received by the snack bar is accounted for.

#### Management's Response:

*The School will consider the cost/benefit of having two employees to operate the snack bar. However, we are unsure of what degree of increased control the presence of another person would provide. Employing an additional person in the snack bar would have a significant impact on its operating costs. Given the level of sales that*



## Texas School for the Blind and Visually Impaired

### Detailed Issues and Recommendations

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*the snack bar generates, it may not be economically reasonable to add a staff position there.*

*The School has initiated the purchase of a cash register for the snack bar operation and will implement the necessary controls to ensure the accounting for all cash received. We would like to evaluate the use of the cash register before any decision is made to add an employee in the snack bar. We would also like to note that we know of no irregularities that have occurred in the snack bar, and that no irregularities were brought to our attention as a result of the auditor's examination.*

*We have already implemented the recommendation that two staff open the mail.*

Section 2:

### Review Controls Over Accounting Data Security

Our review of security profiles over the Uniform Statewide Accounting System (USAS) showed that nine employees have the access level that permits changes to the School's accounting structure. Furthermore, two employees have access to both release batches and enter data into USAS.

Restricting access to particular applications or screens within an application helps ensure data integrity is maintained and unauthorized transactions are not processed. Without access controls, there is no assurance that the information contained in USAS and later used in financial reports is accurate.

#### Recommendation:

We recommend that the School review its security profiles and establish stricter access controls to the Uniform Statewide Accounting System. In particular, we recommend that no employees have the ability to both release batches and enter data into USAS.

#### Management's Response:

*We are reviewing our USAS security profiles to ensure that they are consistent with our user needs for access and security level needs and will modify them as appropriate.*

*Currently only two employees have the ability to both enter data and release batches into USAS. They are the Accounting Director and the Accounting Supervisor. It seems to us that the authority to release batches into USAS, which is equivalent to the authority to sign checks, should be reserved to these positions and not delegated to other staff in the department. The only practical way for us to implement the auditor's recommendation that no employees have the ability to both enter data and release*

## Texas School for the Blind and Visually Impaired

### Detailed Issues and Recommendations

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*batches would be to restrict these two employees from data entry. Neither of these two positions routinely enter data, but there have been occasions in the past when both have done so. We will evaluate the possible impact on our day to day operations if we were to not allow these two positions the ability to enter data. We will also explore procedural controls that might alleviate the auditor's concerns.*

**Texas School for the Blind and Visually Impaired**  
Detailed Issues and Recommendations

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**Results of Performance Measures Review**

**Agency 771**

**Fiscal Year 1996**

Description	Classification	Results	Certification	Comments
Percent of Students Meeting Their Individual Education Plan Objectives	Outcome	55.65%	Certified With Qualifications	The reported achievement of goals for 2 of 52 students tested either lacked supporting documentation or reflected data from the wrong time period.
Percent of Graduated Students From the Past Five Years Currently Employed	Outcome	51.16%	Certified With Qualifications	Supporting documentation was insufficient to support the reported results. The supporting documentation for 1 of 22 students tested did not document whether or not the student was paid for his job, a requirement for being counted as employed.

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Texas Commission for the  
Deaf and Hard of Hearing

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# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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### Overall Conclusion

At the Commission for the Deaf and Hard of Hearing (Commission), weaknesses in controls over contracts, budgeting, and licensing prevent the Commission from ensuring that its mission is achieved. Opportunities for improvement in the areas of cash receipts, fixed assets, and management information systems. In addition, we determined that one of the performance measures we reviewed was inaccurate. However, the Commission has established adequate management control systems for strategic planning, human resources, and performance management.

### Background

The mission of the Commission for the Deaf and Hard of Hearing is to be an advocate for the deaf and hard of hearing, to eliminate communication barriers, and to help the deaf and hard of hearing participate in society to their individual potential. In fiscal year 1996, the Commission licensed 1,261 interpreters and had contracts with 23 local councils to provide direct services to the deaf and hard of hearing. In fiscal year 1996, the Commission had nine employees and expenditures of \$1,185,448.

The Commission contracts with the Commission for the Blind to provide administrative services, including accounting, payroll/personnel, purchasing, property control, and data processing.

Section 1:

### Establish Effective Contract Administration

Our review of controls over contracts with 23 local councils that provide direct services for the deaf and hard of hearing revealed a lack of effective oversight of the councils. Funding agencies are ultimately accountable to the taxpayers for ensuring that contractors use public funds wisely and in a manner which provides the most benefits to citizens. However, inadequacies in monitoring contractors, in methodologies for establishing payment rates for councils and interpreters, and in selecting contractors prevent the Commission from ensuring that expenditures achieve intended results.

Section 1-A:

### The Commission Should Establish a Plan of Site Visits to Provide Oversight of Councils

The Commission does not provide effective oversight of the 23 councils with whom it contracts for program services. Without effective controls, the Commission cannot

## Texas Commission for the Deaf and Hard of Hearing

### Detailed Issues and Recommendations

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ensure that the \$667,000 awarded to the councils in fiscal year 1996 was spent in a way to maximize services to the deaf and hard of hearing. Specifically, we noted:

- There is no formal schedule based on risk to provide for on-site visits of the 23 councils. In fiscal year 1996, the Commission made eight site visits that generally lasted one day or less. Councils were selected based on the date of the last review and on convenience. On-site monitoring should be based on overall risk such as contract amount and past compliance records.
- The Commission has no established methodology that specifies the review procedures to be followed when performing a site visit. Furthermore, the results of site reviews are inadequately documented.

Insufficient on-site monitoring could result in the misuse of funds not being detected in a timely manner.

#### Recommendations:

We recommend that the Commission establish a formal audit plan to provide oversight of the councils. At a minimum, the audit plan should have the following provisions:

- A methodology for assessing risk based on objective criteria
- A schedule for site visits based on risk and date of last site visit
- The procedures to be followed when performing a site visit, including a review of financial records (especially support for expenditures) and program activities
- A records retention schedule of the documentation to be maintained relating to the results of site visits and field reviews

#### Management Response:

*A procedure is being developed that will call for annual on-site council reviews. A schedule of such reviews has been developed for FY 1998. Restrictions on funds for travel could interfere with the on-site reviews.*

*At our request, the State Auditor has agreed to provide technical assistance to the agency for developing new methods for field reviews, and to train staff to perform those reviews. The new procedure will include appropriate documentation of findings.*

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

---

*We agree with this recommendation and will use the recommended provisions as a guide in developing the audit or field review plan. Again, technical assistance from the State Auditor's Office will be utilized.*

Section 1-B:

### **The Commission Should Improve the Process for Selecting Contractors**

In a desire for consistency, the Commission recontracts with the same providers each year. The Commission has not developed objective criteria to select contractors. As a result, the Commission cannot ensure that the best contractors are chosen. The Commission requests proposals each year but always selects the same contractors. Consequently, other potential contractors have few incentives to respond to a request for proposal if they believe there is little or no hope that they will be selected.

Furthermore, in issuing requests for proposals (RFP) each year, the Commission is not following its own rules which state that contracts should be for two years. The point of an RFP process is to publicize bidding to encourage competitive bids. Having an annual RFP process is time-consuming and serves no purpose if the Commission automatically recontracts with the same providers.

#### Recommendations:

We recommend that the Commission develop a system for selecting the best contractors. At a minimum, this system should include objective criteria for selecting contractors. The Commission should retain all RFPs and documentation that supports why each contractor was selected.

We recommend that the Commission develop a two-year contract period in alignment with agency rules.

#### Management Responses:

*In response to the auditor's concerns, new criteria was developed and approved by the Commissioners, and is subsequently being used at this time.*

*The rule regarding two year contracts has been repealed. Under the new rule, any contracts may be renewed for a second year by decision of the Commissioners if the contractor meets all contractual requirements. The concept of two year contracts is viewed with favor and may be initiated in the future.*



# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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Section 2:

### Improve Controls Over the Budgeting and Planning Functions

The Commission's lack of controls over budgeting and planning does not ensure that its services to the deaf and hard of hearing are maximized. There appears to be a lack of understanding about the effective use of budgetary information in managing programs. In addition, the Commission needs to develop formulas for allocating funds to the councils and for establishing a reimbursement rate for interpreters.

Section 2-A:

#### The Commission Should Devise a Formula for Allocating Funds to the Councils and a Payment Rate for Interpreters

The Commission is not in compliance with its enabling legislation requiring it to develop a formula for allocating funds among the councils. The Commission primarily bases current allocations to the councils on the previous year's allocations, even though it is unsure of the original basis of the allocations. The Commission does not have a methodology for allocating funds to the councils or documenting the basis of the allocations.

Furthermore, the Commission has only one reimbursement rate of \$30 per hour for interpreters, even though there are five certified levels of interpreters. The Commission could provide no documentation to support the reimbursement rate. Some councils hire more interpreters at higher certification levels than other councils. Councils pay interpreters based on their certification levels but are reimbursed at the rate of \$30 per hour. As a result, the reimbursement system is not based on the cost of services and encourages councils to use lower levels of interpreters to maximize profits. In fiscal year 1996, the Commission paid over \$495,000 for interpreter services.

#### Recommendations:

We recommend that the Commission develop and document:

- A formula for equitably allocating funds to the councils
- A reimbursement schedule for interpreters that distinguishes between the levels of certification and is based on the cost of services

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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### Management Responses:

*A new procedure has been developed for allocating funds to the councils. This procedure involves determining the estimated population of persons who are deaf or hard of hearing for each of the 11 HHSC regions and applying this allocation formula to the region. The new procedure will be used for FY 98 contracts.*

*The \$30 an hour rate for interpreter services is for a unit of service and not a level of service. This method of payment was established because it was considered the best practice at the time it was initiated. The Commission still feels that this method is the best practice until an alternative method can be developed. An extensive and prolonged review of this issue is expected and under way.*

Section 2-B:

### **The Commission Should Use Budget Reports to Manage Programs**

Program managers at the Commission do not effectively monitor their budgets to manage their programs. As a result, they do not know the amount of money available at any given time.

Program managers should be held accountable for managing their programs. To achieve this, each manager must know at any given time the amount of appropriations for which he or she is responsible, the amount expended, and the remaining budget.

### Recommendation:

We recommend that the Commission provide budget information to each program manager on a monthly basis to ensure that each program manager has the necessary information to effectively manage his or her area.

### Management Responses:

*This finding reflects on the difficulty experienced in changing from an in-house accounting system administered by Commission staff to a new system and new procedures resulting from the contractual purchase of administrative support services from the Texas Commission for the Blind. We recently gained the capability for limited access to the computer system used by TCB for accounting, which is of some help. However, the only accurate and timely accounting information available to us is that kept on our own computer, and which we are using for the benefit of program managers. We agree to encourage program managers to make more and better use of accounting information which is available from our own computer.*

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

---

*We agree to this recommendation and are following up by making use of the information kept on our own computer, in addition to information provided by TCB.*

Section 3:

### Improve Controls Over the Licensing and Examination Process

The Commission needs to improve its controls over the licensing of interpreters. Weaknesses in the licensing process have resulted in waiting lists for candidates, delays in interpreters being licensed, and multiple problems with the exams. These consequences put the Commission at risk when performing one of its main statutory responsibilities, which is to license and regulate interpreters for the deaf.

We identified the following weaknesses in the examination process:

- The Commission has only one video exam for Level III applicants. Consequently, candidates who retake the Level III exam already know the exam's contents. In addition, Level V testing had to be suspended for a year because of a deteriorated video. The Commission did not monitor the appointed board to whom it had entrusted the redesign of examinations.
- The Commission has not required a registration fee from candidates when they register for the exam. As a result, non-serious candidates who sign up for the exam and then do not show up take up places that could have been filled with serious candidates. This has resulted in waiting lists for candidates and delays in interpreters being licensed.
- The Commission has not been in statutory compliance with Higher Education Code, Section 57.491, since early 1993 because it has not submitted information in the proper format to the Texas Guaranteed Student Loan Corporation (Corporation). Because the Commission has sent unusable information to the Corporation, it has not received information on loan defaulters from the Corporation. The Commission does not know which applicants have defaulted on student loans and should therefore not receive a license.

#### Recommendations:

We recommend that the Commission implement the following controls over the licensing and examination functions:

- Develop a plan for the creation of multiple videos for each certification level so that (1) applicants do not know ahead of time what is on the exam, and (2) there are no delays in the examination process.

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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- Require exam candidates to pay a non-refundable fee when signing up for the exam in order to discourage non-serious candidates and eliminate the waiting list.
- Begin submitting information to the Texas Guaranteed Student Loan Corporation in a usable format in order to receive and use current information from the Corporation on interpreters who should not be licensed.

### Management Responses:

- *We agree with the finding that candidates who retake the Level III examination already know the examination content. New Level III videotapes are being developed and candidates who retake will only be tested with the new tapes. The Commission got a late start in materials re-development, with this effort getting under way in the past two years. Several materials development projects are underway. A consultant who has expertise in testing standards and test development has been hired to work closely with the board in its endeavor to ensure that the tests administered to candidates are valid, reliable, and legally defensible. The Executive Director and Program Administrator have closely monitored the board for the past three years.*

*The use of multiple videos has always been a program practice. Procedures are under way for re-development of all testing materials except that for the Morphic Signs System (MSS). This includes the Level I, III, and V test materials and the Oral test materials. Completion of all these materials is expected in the next biennium and will result in once again having multiple videos for each test.*
- *We agree with this recommendation and have made rule changes effective September 1, 1997 that will implement this recommendation. Procedural changes have been made in response to the auditors' concerns and the need for more program efficiency. Effective September 1, testing candidates will be required to pay both the application fee and evaluation fee at the time of submitting the application. Also on that same date a new rule goes into effect that candidates will only be given one opportunity to take a test, instead of two, before their name is removed from the list. Also, another rule change is that candidates will have the option of testing at any site depending on availability.*
- *As suggested by the State Auditors, contact will be made with the Board of Tax Professionals Examiners who has experienced similar problems with the transmission of data to TGLSC, and get their input regarding a means for resolving transmission problems.*

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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Section 4:

### The Commission Should Correct Weaknesses in Financial Management

The Commission does not have adequate controls in place to ensure that its financial resources are being effectively and efficiently used. Specifically, we noted weaknesses in the management of cash receipts and fixed assets.

Section 4-A:

#### Enhance Controls Over Cash Receipts

Controls over cash receipts do not provide reasonable assurance that Commission funds are protected from loss, misuse, or abuse. In fiscal year 1996, the Commission had cash receipts of \$109,000.

The Commission contracts with the Commission for the Blind to provide administrative services, including accounting, payroll/personnel, purchasing, property control, and data processing. However, the contract with the Commission for the Blind does not eliminate the need for controls by the Commission for the Deaf and Hard of Hearing.

Approximately one-third of the Commission's cash receipts go directly to a lockbox account at the Comptroller of Public Accounts' office and two-thirds to the Commission. Cash that comes into the Commission is recorded and sent to the Commission for the Blind for processing. We observed the following deficiencies in controls over cash receipts:

- There is a lack of segregation of duties over cash receipts because the same person who receives cash sends it to the Commission of the Blind for processing.
- No check log is maintained and reconciled to Commission for the Blind records.
- The Commission for the Deaf and Hard of Hearing has no way to access detailed accounting records at the Commission for the Blind.
- There is no reconciliation of examination fees from examination sites, and license receipts are not reconciled to licenses issued in order to account for all certificates issued, canceled, or in stock.

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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### Recommendations:

We recommend that the Commission:

- Ensure that two employees open the mail, with one of them preparing the deposit slip and the other delivering the receipts to the Commission for the Blind.
- Consider implementing procedures to ensure that most fee receipts go directly to the Comptroller of Public Accounts' lockbox.
- Perform reconciliations between the number of licenses issued and the revenues received and between examination fees and the number of people taking an exam. These reconciliations should be prepared on a regular basis by an employee who is not responsible for handling cash receipts.
- Develop procedures to reconcile its internal records to records at the Commission for the Blind.

### Management Responses:

- *In response to this finding staff assignments have been adjusted so that one staff member prepares a receipt of incoming funds and another delivers the funds to the Texas Commission for the Blind and has a staff member from TCB sign the receipt.*
- *A check log has been maintained since June 1996 which was converted to a computerized system as of December 1996. This log is then checked against TCB deposit receipts which are then reconciled by the Commission's Administrative Assistant with TCB's general ledger.*
- *The Commission recently gained limited access to TCB's accounting system which has been beneficial to the agency. Although the agency would like to gain detailed access, overwhelming demands on current staff would prevent the agency from taking full advantage.*
- *In response to this finding staff has updated database files to adequately document and calculate such information relative to this reconciliation of data. This reconciliation activity will be done on a quarterly basis.*

*This recommendation was implemented immediately upon our notification of the auditor's concerns.*

*Fees related to the Board for the Evaluation of Interpreters generates the majority of the appropriated receipts received by the Commission. In*

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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*response to this recommendation, the application form has been modified to include only the Comptroller of Public Accounts' lock box address thus eliminating the Commission's office address. Also, rule changes effective September 1, 1997 will reduce the necessity for fees to be received by the Commission since candidates will be required to pay their fee before being scheduled for an examination. Until the rule is in effect, efforts have been made to inform candidates to send their examination fees to the lock box and not bring the fee to the examination site.*

*In response to the auditor's concerns changes were made in the database to collect information so that reconciliations can be performed by the BEI Support Staff.*

*Reconciliations are done on a limited basis between the in-house budget tracking system and TCB's financial reports. The commission does not have a staff accountant.*

Section 4-B:

### **Enhance Controls Over Fixed Assets**

The Commission is not in compliance with State Property Accounting requirements. These requirements are designed to safeguard fixed assets and ensure that they are used in an effective way. Specific examples of noncompliance by the Commission include:

- Annual inventory is conducted solely by the property custodian rather than by two independent staff members. Having two people perform an inventory helps ensure that the Commission's fixed assets are protected.
- The Commission does not obtain and keep signed receipts from employees for property assigned to them. Signed receipts from employees that they have received property assigned to them increases employees' accountability for the property they are using and also helps the Commission control its assets.
- Inventory is reconciled to State Property Accounting records only on an annual basis, not monthly as required. The annual reconciliation is performed by the Commission for the Blind. In addition, the 1995 inventory list was inaccurate and did not include two items. As a result, the furniture and fixtures amount reported in the 1996 annual financial report was understated by \$4,600. Timely reconciliations are essential in helping to safeguard the assets of an agency and in detecting errors and irregularities involving state property.

# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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### Recommendation:

We recommend that the Commission enhance controls over fixed assets by having two people perform an annual inventory, having employees sign for all property in their possession, and by performing monthly reconciliations to State Property Accounting records.

### Management Responses:

*Two staff members have been designated to check inventory while the property custodian oversees the inventory.*

*In response to this finding a property assignment sheet has been developed to be given to each employee for signature verification for property assigned to them.*

*TCB is reconciling TCDHH inventory with the State Property Accounting on a monthly basis.*

Section 5:

## Enhance Controls Over Management Information Systems

Management information systems at the Commission could be better used to provide useful information.

- The Commissioners are not routinely given periodic reports, except for financial statements, to help them in their oversight. Information such as services to individuals and number of clients served would help the Commissioners and executive management ensure that the Commission achieves its mission.
- The Commission does not review and analyze the budget and program information it receives from the councils. As a result, the Commission cannot effectively manage and monitor the achievement of its goals and objectives.
- The Commission lacks password security over licensing files to ensure that data cannot be changed by others.

It is important that the Commissioners and management have timely and relevant information to use in making decisions affecting the Commission. Without this relevant information, it is difficult for management to make informed decisions for improving the effectiveness of the Commission.



# Texas Commission for the Deaf and Hard of Hearing

## Detailed Issues and Recommendations

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### Recommendation:

We recommend that the Commission:

- Develop an understanding of its information needs and evaluate and analyze operational information on an ongoing basis.
- Provide complete, accurate, and timely information to the Commissioners and management so that they can provide effective oversight of the Commission.
- Establish password security over licensing files.

### Management Responses:

*We agree to this finding. Information about the numbers of certified interpreters has been shared with Commissioners periodically. Information procedures are being developed for direct services program quarterly reports which will be prepared for Commissioners.*

*The Executive Director reviews budget and program information received from the councils, and discusses this information with the appropriate program staff. This review has been informal in the past but shall be documented in the future.*

*In response to this finding a security password for licensing files was installed on December 3, 1996.*

*Prior to 1995 the agency's computers were not utilized for analysis of data collection. With the addition of a staff person with the skills for developing computer capability for data analysis, and the addition of both new hardware and software, advances are being made in this area. A process will be developed for quarterly reports of program operations.*

*The quarterly reports mentioned above will be provided to the Commissioners and will be discussed in Commission meetings.*

**Texas Commission for the Deaf and Hard of Hearing**  
Detailed Issues and Recommendations

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**Results of Performance Measures Review**

**Agency 772**

**Fiscal Year 1996**

Measure	1996 Performance	Certification Results	Comments
Number of Hours of Communication Access Provided	9142.53	Certified	
Percent Increase in Number of Interpreters Certified Level III, IV, V	2.67	Inaccurate	As a result of human error, the Commission over-reported the percent increase in the number of interpreters by 20 percent. The error in the performance for the measure was caused by overcounting the number of certified interpreters by 1.

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State Board of  
Dental Examiners

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# State Board of Dental Examiners

## Detailed Issues and Recommendations

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### Overall Conclusion

The State Board of Dental Examiners (Board) needs to strengthen controls over enforcement, licensing, and examinations. Additionally, there are opportunities for improvement in the areas of resource management and performance measures. One of the two performance measures examined was inaccurately reported. The Board can enhance controls over human resource management by updating the human resources policies and procedures.

### Background

The Board is responsible for ensuring that the citizens of Texas can rely upon the competency and ethical behavior of licensed dentists, dental hygienists, and dental laboratories. The Board was abolished under sunset on September 1, 1994, and it was recreated on February 2, 1995, with a new executive director and staff.

The Board receives no general revenue funds for its operations. Its operating budget is derived from the collection of licensure and registration fees. The Board received appropriations of \$1.1 million for fiscal year 1996 and employed a staff of 19.

Section 1:

### The Board Should Strengthen Controls Over the Enforcement and Licensing and Examination Divisions

The Board is not following its policies and procedures with regard to complaints. We noted the following deficiencies:

- Time limits established for completing investigations are not being met and preliminary reports for high priority cases are not being prepared in a timely manner.
- Quarterly status reports are not being sent to complainants, as required by the Dental Practice Act. In addition, letters acknowledging complaints received are not mailed within ten days as directed by Board policy.

In addition, policies and procedures related to licensing and examinations are not well documented.

# State Board of Dental Examiners

## Detailed Issues and Recommendations

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Section 1-A:

### **Policies and Procedures Related to Case Resolution and Notifying Complainants Should Be Enforced**

The Board is not following its policies and procedures with regard to resolving investigative cases, completing and submitting preliminary reports for Priority 1 cases, and notifying complainants. Specifically we noted:

- The Board is not processing investigations within the timeframes established by the Board. Our review of completed cases during the first quarter of fiscal year 1997 showed that the Board took an average of 254 days to close a case. According to the Board's policies and procedures, cases should be investigated within 60 days (Priority 1) or 120 days (Priority 2). As a result, licensees that should not be allowed to practice could continue to operate and provide substandard services to the citizens of Texas.
- Investigators do not tender preliminary reports within 72 hours of receiving complaints to the Director of Enforcement for all Priority 1 cases, as required by the Board's policies and procedures. Discussions with several investigators showed that they were unaware of this requirement.
- Status letters are not consistently being sent by the Enforcement Division to complainants on a quarterly basis as required by the Dental Practice Act. Between March and October 1996, the only parties who received quarterly letters were those who called asking about the status of their complaint. This occurred because currently the process of generating status letters is manual, therefore fairly labor intensive and time consuming. Notifying complainants of the status of their investigation is important because it has a direct effect on the credibility of the Board to the general public.
- The Board is not sending complaint acknowledgment letters in a timely manner. Of the 44 case files tested, letters were sent out between 29 and 114 days after complaints were received by the Board. In our sample, the average time taken to mail acknowledgment letters was 49 days. According to Board policies and procedures, all complaints must be acknowledged within 10 days.

#### Recommendation:

We recommend that the Board follow its policies and procedures with regard to:

- Established time requirements for case investigation. The Board could evaluate the established time for investigating cases if it deems that existing time requirements are unachievable. When doing this, the Board should take into account the safety of the citizens of Texas.

## State Board of Dental Examiners

### Detailed Issues and Recommendations

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- Submitting preliminary reports within 72 hours. When delays occur, documented explanations justifying the delays should be prepared by the Director of Enforcement.
- Mailing quarterly status letters to complainants. The Board should automate the process of generating status letters to enhance efficiency, therefore ensuring that all complainants receive the status of their investigation.
- Mailing complaint acknowledgment letters to complainants. Automating the process of generating letters will facilitate acknowledging all complaints within 10 days.

#### Management's Response:

- *Agreement with finding and recommendation. There is no time requirement for final disposition of cases (i.e., case closure) cited in the Enforcement Division Operations Manual. However, the Manual does cite timelines for investigations (60 days for Priority 1; 120 days for Priority 2); these timelines are being evaluated. Measures are being implemented to reduce backlog and streamline processing.*
- *Agreement with finding and recommendation. Full implementation of the recommendation has been made by SBDE.*
- *Agreement with finding and recommendation. The SBDE is developing an automated system for timely processing of quarterly case status letters.*
- *Agreement with finding and recommendation. The system for sending complaint acknowledgment letters has now been automated to the fullest extent practical. Complaints are now being acknowledged within 10 days.*

Section 1-B:

#### **Document Policies and Procedures Over Licensing and Examinations**

The Licensing and Examination Division's policies and procedures manual lacks sufficient detail to provide useful guidance for employees. We selected six procedures from the manual for testing. The lack of detail in the manual required us to ask 65 questions in order to gain an understanding of the procedures. For example, the procedures for licensure by examination require that the Examination Coordinator will review applications for required documentation. However, the policies and procedures manual does not list any of the required documents the Examination Coordinator should ensure are included with the application.



## State Board of Dental Examiners

### Detailed Issues and Recommendations

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The manual was prepared by the former division director. The current division director had no input into the development of the policies and procedures documented in the manual. Although the lack of detail in the manual does not affect current operations due to the experience level of division personnel, this could become a significant issue in the event of employee turnover.

Recommendation:

We recommend that the Board ensure that the Licensing and Examination Division's policies and procedures manual is updated and that it addresses all policies and procedures currently in place. The Board should ensure that division staff, including the division director, have input in updating the manual.

Management's Response:

*More detailed procedures for each function within the Licensing and Examinations Division will continue to be developed. Targeted completion of this project will be December 31, 1997, primarily because the Division will be installing a new automated licensing and registration system and most automated procedures will have to be developed on a 'trial and error' basis. Each staff member of the Division will be documenting his/her respective procedures and will submit them for review to the Director of Licensing and Examinations by December 15, 1997.*

Section 1-C:

### **The Board Should Comply With Requirements for Licensing Agencies**

The Board does not provide written notice of the nonrenewal policies for default on Texas Guaranteed Student Loan Corporation loans to applicants for license renewals, as required by Texas Higher Education Code Title 3, §57.491(h). As a result, licensees may not be aware of the requirements of the statute and may have defaulted on their guaranteed student loans.

Recommendation:

We recommend that the Board include a statement on license renewal applications indicating that failure to repay a guaranteed student loan is grounds for not renewing a license.

# State Board of Dental Examiners

## Detailed Issues and Recommendations

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### Management's Response:

*The Division of Licensing and Examinations will amend the licensure letter to applicants for initial licensure to include notice that persons in default of guaranteed student loans will not be allowed to be licensed with the SBDE until a Repayment Agreement has been approved by the Texas Guaranteed Student Loan Corporation (TGS LC) or the loan has been repaid. Additionally, the Division will amend its annual renewal notice to include a notice that failure to repay a guaranteed student loan is reason for not renewing a license and that renewal will not occur until a Repayment Agreement has been approved by the TGS LC or the loan has been repaid.*

Section 2:

## Enhance Controls Over Examinations

Controls over the examination function need to be improved. We noted several deficiencies in the existing examination procedures that could make the exams susceptible to compromise. These include:

- The Nitrous Oxide Monitoring Examination has not been updated since 1991. The longer an exam remains unchanged, the more susceptible it becomes to compromise since all applicants take the same exam. We also noted that the answer key to the exam was kept in an unlocked desk drawer in an unlocked office.
- Applicants are not required to show a photo identification during check-in for the Nitrous Oxide Monitoring Examination. Prior to the exam, applicants are sent a registration confirmation letter. During check-in, applicants may show the confirmation in place of a photo identification. The current procedure may allow an applicant to send someone else in their place to take the exam.
- Used test booklets are placed in the paper recycle bin. Once the recycle bin has physically left the agency, the Board has no control over the exam materials. This procedure could compromise future exams.
- The contract between the Board and a psychometrician does not contain a confidentiality clause. The psychometrician is provided with reference materials and examination questions to determine whether exams are fair. Without a confidentiality clause, the Board can not be sure that the psychometrician will not compromise the exams.

### Recommendation:

We recommend that the Board:

## State Board of Dental Examiners

### Detailed Issues and Recommendations

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- Ensure that the Nitrous Oxide Monitoring Examination is updated during the current fiscal year. Additionally, the answer key for the exam should be kept in the lockable filing cabinet, in the Exam Coordinator's Office, along with the other answer keys.
- Discontinue the acceptance of confirmation letters as adequate identification for entrance to the Nitrous Oxide Monitoring Examination and require all applicants present a photo identification.
- Discontinue the practice of placing used test booklets in the paper recycle bin. The Board should establish a procedure whereby test booklets are destroyed after use.
- Modify the psychometrician's contract to include a confidentiality clause regarding disclosure of exam content.

#### Management's Response:

- *The Exam Review Committee currently is developing a new nitrous oxide monitoring examination which is a continuation of the exam renovation project that began with the jurisprudence examination in 1996.*

*All examination answer keys now are locked in an examination closet that is secured continuously. Entry to the examination closet is by code only. Only employees with immediate need for entry are assigned access codes. The keyless entry security system was purchased and installed subsequent to the auditor's suggestion.*

- *All examination applicants now are required to present a photo identification card to the SBDE exam administrator at the exam site. This procedure was implemented subsequent to the recommendation of the auditor.*
- *Previously, the SBDE did not have a shredder large enough to dispose of the volumes of used exam papers; therefore, the recycle bin was used. Subsequent to the auditor's suggestion, a large shredder was purchased (\$1,124) and now all exams are shredded upon return from an exam site.*
- *Only the Director of Licensing and Examinations and the Examination Coordinator have access to the exams.*
- *Legal Counsel has reviewed the psychometrician's contract and has added a confidentiality clause to the contract that will be effective September 1, 1997.*

# State Board of Dental Examiners

## Detailed Issues and Recommendations

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Section 3:

### Update Human Resource Policies and Procedures

The Board needs to improve its policies and procedures related to American with Disabilities Act. In addition, the Board needs to improve controls in the areas of hiring and selection and personnel actions. We identified the following opportunities for improvement:

- The policy regarding the Americans with Disabilities Act (ADA) grievance procedure lacks two important elements. The policy does not identify the elements that need to be included in a written complaint and does not include a statement of nonretaliation.
- Documentation for hiring procedures need improvement. We noted the following:
  - screening criteria form is not maintained on all applicants, only on those applicants selected for an interview. There is no type of documentation maintained to support why other applicants were not chosen for an interview.
  - Although selective criteria is used for grading applicants, with scores ranging from 1 to 5 points (5 being the best), there was no documentation to support why one applicant received a 5 and another applicant received only a 4.

The lack of documentation for hiring decisions does not allow the Board to evaluate their system and take corrective action if necessary.

- The controls over the awarding of merit pay increases need to be strengthened. Our review of personnel files showed that 89 percent (8 of 9) of the personnel action forms tested were either not dated or dated after the effective date of the merit pay raise. Personnel action documentation provides the support for salary increases or decreases and must be completed before actions are effective.

#### Recommendation:

We recommend that the Board:

- Update the current Americans with Disabilities Act (ADA) policy to ensure that the grievance procedure identifies the elements which need to be included in a written complaint and a statement of nonretaliation.

## State Board of Dental Examiners

### Detailed Issues and Recommendations

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- Document and maintain criteria on hiring procedures on all applicants and not just applicants selected for interviews. The Board should also ensure that documentation supporting the grades given to applicants is maintained.
- Strengthen controls over personnel actions by ensuring that personnel action forms are prepared (and approved) prior to the effective dates of promotions, merit increases, and merit decreases.

#### Management's Response:

- *The SBDE is updating its Personnel Manual. Pursuant to the American with Disabilities Act, the update will include (1) a grievance procedure that identifies the elements which need to be included in a written complaint and (2) a statement of nonretaliation.*
- *The SBDE has a hiring selection procedure in place. However, the SBDE will revise its procedure to make sure the screening form is used by all Division Managers when screening applicants and that documentation is maintained on the criteria used to grade all applicants.*
- *The SBDE is updating its Personnel Performance Evaluation Program. Pursuant to this update, all Division Managers will be required to submit Personnel Evaluation Forms to the Executive Director 30 days before the due date.*

**State Board of Dental Examiners**  
Detailed Issues and Recommendations

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**Results of Performance Measures Review**

**Agency 504**

**Fiscal Year 1996**

Description	Classification	Results	Certification	Comments
Average Cost per Complaint Resolved	Efficiency	388.0	Certified with Qualifications	The amount reported was accurate, but controls over the reported information do not ensure continued accuracy.  No supervisory review of mathematical calculations were performed. Errors were noted in the mathematical calculations.
Average Licensing Cost for Individual License	Efficiency	7.82	Inaccurate	Performance was over-reported by 22.4 percent. No supervisory review of mathematical calculations were performed. Errors were noted in the mathematical calculations.

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Texas Commission on  
Fire Protection

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# Texas Commission on Fire Protection

## Detailed Issues and Recommendations

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### Overall Conclusion

Controls over financial management at the Texas Commission on Fire Protection (Commission) are not adequate to ensure that its financial records are correct and resources are used effectively. In addition, the Commission needs to strengthen its administrative functions by enhancing controls over human resources, management information systems, and performance measures.

The Commission has adequate control systems to ensure that its statutory functions are performed satisfactorily. Statutory functions include establishing minimum standards for education, training, and employment of fire fighters; certifying fire fighters and fire departments; and conducting fire and arson investigations and fire safety inspections.

### Background

The Commission's mission is to enforce statewide laws and assist local governments in ensuring that the lives and property of the public and the fire service are adequately protected from fires and related hazards. Its main responsibilities include establishing minimum standards for education, training, and employment of fire fighters; certifying fire fighters and fire departments; conducting fire and arson investigations and fire safety inspections; and licensing and regulating fire alarms, extinguishers, fire protection sprinklers, and the fireworks industry. In fiscal year 1996, the Commission had 140 employees and expenditures of \$7.7 million.

#### Management's Comment:

*The Texas Commission on Fire Protection would like to take this opportunity to thank the Office of the State Auditor for its thorough, concise and conscientious work in preparing this audit report. During the course of this audit, the auditors have provided many valuable suggestions which we believe will greatly enhance the efficiency and effectiveness of this Commission in our ongoing efforts to protect the citizens of the State of Texas from fire and related hazards.*

*Since the audit began, the Commission has made great strides in improving the documentation of its policies and procedures in the areas of financial management, management information systems and human resources, and we will continue to make improvements in the areas identified in the body of this report.*

*We sincerely appreciate the audit team's fairness and professionalism, and we truly value the auditors' insights and recommendations.*

# Texas Commission on Fire Protection

## Detailed Issues and Recommendations

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*The Texas Commission on Fire Protection remains firmly committed to providing the highest quality service to the fire service and citizens of this state, and in that spirit, we commit to implementing the Office of the State Auditor's recommendations.*

Section 1:

### Develop Controls Over Financial Management

We noted instances of management override of controls that were designed to ensure the integrity of financial information at the Commission. The Commission knowingly charged incorrect expenditures against the Grants and Loans program. Other identified weaknesses include:

- Payment of Commissioners' travel vouchers without determining actual costs
- Requisition forms not properly authorized
- Program managers not being given monthly budget reports
- Numerous deficiencies over the budgeting process

Section 1-A:

#### Expenditures Were Incorrectly Charged Against the Grants and Loans Program

Management override was used to make "errors of convenience" in which costs were knowingly misallocated to the Grants and Loans program because the correct program was out of available funds. We noted \$5,100 in charges that were incorrectly allocated to the Grants and Loans program and another \$25,747 that could not be supported as being properly allocated to the program. Unsupported allocations included various travel, computer, and software expenditures. These mistakes were never corrected. As a result, the Commission's financial records were incorrect.

The purpose of the Grants and Loans program is to provide financial aid to local firefighting entities that have applied for grants or loans to help pay for specific expenditures.

The State has mandated that appropriated funds be expended in accordance with the General Appropriations Act. Agencies are granted the right to transfer up to 25 percent of their appropriations between strategies to give them the leeway they need to operate. However, agencies are not permitted to bypass the transfer process by directly charging expenditures to strategies for which the costs were not incurred.

#### Recommendation:

We recommend that the Commission:

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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- Implement a policy that allocates expenditures to the programs for which the costs were incurred.
- Maintain documentation for all allocations.

#### Management's Response:

*The agency acknowledges that approximately \$30,000 dollars were incorrectly charged to the Grants and Loans program allocation in fiscal year 1995. These charges in no way affected the amount of funds available to the fire service through the Grants and Loans program.*

*When the agency originally prepared its Legislative Appropriations Request for fiscal year 1995, it assigned three Full Time Equivalent (FTE) salaries and supporting costs to this program. At the beginning of fiscal year 1995, one FTE was transferred out of the program as a result of a significant agency reorganization. Some of the funds associated with the FTE, however, were not appropriately removed from the program budget at the time of the transfer. Near the end of fiscal year 1995, in a one-time emergency situation, the agency incorrectly charged several expenses to the Grants and Loans program with the understanding that the fund transfers would be corrected at a later date. The appropriate corrections, however, were never made.*

*It is the Commission's understanding that the legislature intended to annually appropriate the amount of the Revolving Fund (which grows each year as low-interest loans are repaid) plus \$700,000 in new money to the Grants and Loans program. In fiscal year 1995, the total amount of funds from these two sources was \$794,577, all of which was awarded to fire departments.*

*The roughly \$60,000 in salary and operating costs that should have been transferred out of the Grants and Loans program at the beginning of fiscal year 1995 amounted to roughly six percent of the total appropriation for the program, which is significantly less than the 25 percent of funds the agency is allowed to transfer into or out of the program. We reiterate, however, that the agency never intended to draw funds away from this valuable program. We believe that we have complied with the intent of the legislature to the best of our ability, and we remain absolutely committed to ensuring that expenditures are allocated to the programs for which costs are incurred and to maintaining proper documentation for all allocations.*

*We would like to note that at the July 1995 Commission meeting the Commission chair appointed two subcommittees, one to oversee the development of the strategic plan and the other to oversee the budget. Since the beginning of fiscal year 1996 these subcommittees have provided detailed guidance and oversight of the agency's budget, and we feel that their work will continue to ensure that state funds are managed appropriately and wisely.*

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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*We will immediately implement this recommendation.*

Section 1-B:

#### **Controls Over Commissioners' Travel Vouchers Should Be Improved**

During fiscal year 1996, Commissioners were asked to sign blank travel vouchers which would then be completed by Commission staff. On occasions, the Commission employee completing the travel vouchers had to estimate travel-related expenditures because of the lack of information about meal expenses. State travel guidelines provide for board members to be reimbursed for actual meal and lodging expenses up to \$80 per diem. Although Commissioners' reimbursements never exceeded this per diem, estimating the cost of meals could result in a reimbursement in excess of actual costs.

#### Recommendation:

We recommend that Commissioners' travel vouchers reflect actual costs. Commissioners should sign their travel vouchers after they verify that requested reimbursements represent actual costs incurred while conducting Commission business.

#### Management's Response:

*We will immediately implement this recommendation.*

Section 1-C:

#### **Control Procedures Over Requisitions Were Not Always Followed**

Although the Commission has developed control procedures over expenditures, they are not always followed. The Commission did not perform timely "availability of funds" analyses to verify that funds were available before expenditures were made. In the last two months of fiscal year 1996, the Commission was unable to process its payroll vouchers without transferring funds from other strategies.

In addition, the Commission did not always follow its procedures for purchases. According to Commission policy, a requisition form must be completed and signed by three people for a purchase to be made: by the person making the request, by the division director to attest that the purchase is needed, and by the budget director to attest that the funds are available in the appropriate strategy. However, we reviewed two expenditure requisitions, totaling \$10,596, which were signed by neither the

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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division director nor her designee. Therefore, assurance was not provided that the purchase was necessary.

#### Recommendation:

We recommend that the Commission perform availability of fund analyses in a timely manner to verify that adequate funds are available in the appropriate strategies. The Commission should also follow its control procedures over requisitions.

#### Management's Response:

*We will immediately implement this recommendation.*

Section 1-D:

### **The Commission Should Strengthen Controls Over the Budgeting Process**

There are several aspects of the Commission's budgeting process that should be strengthened:

- Monthly budget reports were not given to program managers until January 1997.
- There are no detailed policies and procedures over the budgeting process.
- The Commission could not provide detailed support for its Legislative Appropriations Request (LAR) and its operating budget.
- The Commission does not reconcile its internal budgeting system to the Uniform Statewide Accounting System (USAS).
- There is a lack of understanding among key personnel about the annual financial report (AFR).

**Program managers were not given monthly budget reports with which to monitor and manage their programs until January 1997.** As a result, inappropriate costs that were charged against their programs, such as described in Section 1-A, may have gone unnoticed. However, in January 1997, the budget director began giving program managers the monthly reports. Giving monthly budget reports to program managers is one method of providing controls over expenditures to prevent and/or detect accounting errors.

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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Program managers should be held accountable for managing their programs, but they need the proper tools with which to manage. All financial actions which affect a program area, including transfers from one strategy to another, should be communicated to affected program managers prior to the action. This will ensure that each manager knows at any given time the amount of appropriations for which he or she is responsible, the amount expended, and the remaining budget.

**The Commission's policies and procedures over the budgeting process lack the detail necessary to provide controls over budgeting.** The Commission did not develop an operating budget prior to the beginning of fiscal year 1996. As a result, division directors did not have an operating budget to use in managing their divisions.

**The Commission was unable to provide detailed support for its Legislative Appropriations Request (LAR) and its operating budget.** The Commission could only provide general reasons for a request—not the actual components that added up to each request. For example, \$33,000 was budgeted in fiscal year 1997 for training registration fees. The Commission made training a priority for the fiscal year but could not provide the support for the specific amount budgeted.

**The Commission does not reconcile its internal accounting system to USAS.** Although the Commission is not required to reconcile its internal budgeting system to the Uniform Statewide Accounting System (USAS), it needs to reconcile the two systems because management makes decisions based on its internal system. When we compared the numbers in the two systems for the period ending March 31, 1996, we found that USAS showed an excess of more than \$10,000 in expenditures than the internal system. In addition, differences in the absolute value of account balances totaled more than \$957,000, or over 12 percent of the Commission's annual budget. The lack of timely reconciliations can result in errors and irregularities not being detected.

**There appears to be a lack of understanding about the AFR.** Key personnel were unable to explain what expenditures went into various line items in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance; we were told to call the consultant who prepared the AFR. Although a consultant was used to prepare the AFR, Commission management should be able to understand the information contained in the AFR in order to use it to manage the Commission. At the very least, guidelines should be available so that managers can use the AFR to its full advantage.

#### Recommendations:

We recommend that the Commission:

- Continue its recently established practice of providing budget information to each program manager on a monthly basis. Furthermore, we recommend that each budget manager compare the information in these summary reports to

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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specific financial reports to verify that they accurately reflect program expenditures.

- Establish detailed policies and procedures over the budgeting process.
- Maintain detailed support for all amounts in the Legislative Appropriations Request and in its operating budget.
- Reconcile its internal accounting system to USAS on a monthly basis.
- Ensure that key managers develop an understanding of the AFR and other financial documents so that they can better monitor their budgets and programs.

#### Management's Response:

*Prior to January 1997 the budget director distributed the monthly budget reports to division directors; the vast majority of budget decisions are made at the division director level. However, we agree with and support the audit team's recommendations and insights regarding the importance of program managers' participation in and knowledge of the budget process.*

*Since the beginning of this audit, the Commission has greatly improved its documentation of its budget policies and procedures, as well as its supporting documentation for the LAR and operating budget, and we will continue to do so.*

*As noted by the auditors, the Commission is not required to reconcile its internal budgeting system to USAS, but we agree with and understand the auditors' concerns in this area. This recommendation has been implemented as of March 1997.*

#### Section 2:

### Improve Controls Over Human Resources

Our review of controls over human resources at the Commission identified several areas in which controls could be strengthened. In particular, we noted that the Commission:

- Lacked a formalized policy on allowing employees to telecommute
- Did not consistently perform periodic performance evaluations
- Granted merit raises without a current performance evaluation to support them
- Lacked an adequate overall plan for training



## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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Section 2-A:

### **The Commission Does Not Have a Formal Policy Relating to Employees Telecommuting**

Although several employees at the Commission have been permitted to telecommute, the Commission lacks a written policy on the topic. The Commission needs an overall policy that differentiates between situations in which it is efficient to have employees telecommute and situations in which telecommuting is counter productive.

In one division, both the division director and the assistant division director (who also serves as the budget director) have telecommuted on a regular basis. With the top two people in a division not available on site, management problems have occurred. These problems include:

- Communication problems
- Insufficient supervision of staff
- Specific policies not being followed, for example, the budget requisition forms not being approved by the budget manager and the division director
- Morale problems by frustrated staff who perceive a double standard
- Confusion about the location of financial records and other documents

#### Recommendation:

We recommend that the Commission develop a formal policy regarding employees telecommuting and communicate it to every employee. The Commission should look at each reason for working at home and develop a policy that results in good management of the agency. The policy should also be in compliance with federal law.

In addition, records and summary reports should be kept documenting the specific hours and days worked at home by each employee. The executive director of the Commission should review the summary reports regularly so he can identify situations in which employees may not be receiving adequate supervision and provide corrective action. These changes will help ensure that the work of the Commission is conducted efficiently and effectively.

#### Management's Response:

*The agency has always reviewed work at home on a case-by-case basis, both to ensure that employees are well-managed and that the agency is in compliance with federal law. It is the agency's understanding that legislation proposed during the current session may have a significant impact on the topic, and it is our intention to implement the auditors' recommendations, incorporate legislative changes as necessary, and formalize the policy in writing prior to the beginning of the next biennium.*

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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Section 2-B:

#### **The Commission Should Improve Controls Over Its Performance Appraisal System**

Our review of 10 personnel files showed that six (60 percent) lacked a performance evaluation performed within a 12-month period. Also, despite a written policy requiring a current performance evaluation on file for all merit increases and promotions, 11 out of the 25 merit raises granted in fiscal year 1996 (44 percent) were not supported by a performance evaluation given within a year of the merit raise.

Performance evaluations provide feedback to employees supporting good performance; helping to correct poor performance; and providing a foundation for merit increases, promotions, demotions, and terminations. Tying personnel actions to current performance evaluations ensures that employees demonstrating exemplary job performance and productivity receive merit raises and promotions.

#### Recommendation:

We recommend that the Commission follow its written policy requiring annual performance evaluations and maintain documentation which supports all personnel actions.

#### Management's Response:

*We acknowledge that several raises were granted during fiscal year 1996 without an up-to-date performance evaluation on file.*

*During the period in question, the agency's performance evaluation system was in a state of flux. Beginning in December 1994 the agency formed a quality team which included employees from all levels and all divisions to develop a comprehensive performance evaluation system. Training on the new system was provided to all supervisors and employees in December 1995. In early 1996, division directors were instructed to have their supervisors use the new format when evaluations came due. We believe that confusion surrounding the transition to the new system resulted in some employees not receiving timely evaluations. The majority of performance evaluations, however, are current as of the date of this report.*

*The human resources section has implemented a system to track evaluation dates and now notifies supervisors, program managers and division directors when employee evaluations are due. Additionally, the Agency's merit plan is now in writing. In the future, no merit increases or promotions will be granted without a current performance evaluation on file in human resources.*

# Texas Commission on Fire Protection

## Detailed Issues and Recommendations

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Section 2-C:

### **The Commission Should Improve Its Overall Plan for Training**

The Commission should improve its overall plan for training and continuing education and implement a system for tracking training agencywide. Each division of the Commission decides what training is needed and who should take it. Most training is division specific, such as required continuing legal education for lawyers to maintain their licenses to practice. Other training, however, is agencywide and is needed by all staff, such as computer training. The Commission lacks a system for agencywide tracking of training for all personnel.

The two staff members who serve as Program Administrator and Systems Analyst/LAN Administrator have had formal training on various aspects of their new system. However, formal agencywide computer training classes have not been planned and instituted.

An overall training plan for the Commission should specifically address the area of computer instruction. Beginning in fiscal year 1997, the Commission plans to purchase new computers for \$267,000. For the Commission to maximize its benefits from these new computers, it is essential that the Commission have an organized plan to ensure that all employees receive the necessary training to fully use the technology.

A good overall training plan optimizes employee productivity, enhances professional and personal development, and assists the entity in accomplishing its goals and objectives.

#### Recommendation:

We recommend that the Commission develop an overall training plan which establishes:

- Both short- and long-term plans with clearly stated objectives and a direct relationship to the Commission's mission and goals
- A training and development budget designating the amount of time and funds to be spent on training
- A means of identifying and prioritizing training and development needs
- A method for evaluating the effectiveness of training and development programs
- A system for agencywide tracking of training taken by each employee

# Texas Commission on Fire Protection

## Detailed Issues and Recommendations

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### Management's Response:

*The agency intends to conduct a detailed, comprehensive planning session at the end of the current legislative session. We anticipate several changes to the agency during this session and we would like to assess and plan for the impact of those changes, as well as addressing current training needs, at one time.*

Section 3:

## Strengthen Controls Over Management Information Systems

In our review of controls over management information systems at the Commission, we identified areas in which controls could be strengthened. Specifically, we noted that the Commission:

- Has an inadequate written needs analysis
- Has an inadequate disaster recovery plan
- Has an employee take home back up tapes each evening instead of storing them in a fireproof box

The Commission should improve its needs analysis for management information systems. Although the Commission did perform an informal needs analysis before purchasing new computers, a detailed and specific analysis was never put in writing in one document. A formally documented needs assessment helps to ensure that the Commission has a thorough understanding of its needs and a plan for how those needs can be met.

Although the Commission recently prepared a disaster recovery plan, the plan lacks certain key elements that would help the Commission recover its automated records should a disaster occur. Examples of missing elements include specific standard operating procedures which describe who will perform each responsibility; a list of available vendors the Commission could contract with to provide a server, personal computers, and printers; priorities for recovery; a description of equipment that would be necessary for disaster recovery; and a reference to the Department of Information Resources' *Information Resources, Security and Risk Management*.

The Commission takes monthly backup tapes of its activities to the State Library and Archives Commission. Daily backup tapes are taken home each evening by Commission personnel. We commend the Commission for taking monthly backup tapes to the State Library and Archives Commission. We believe a preferred method of safeguarding daily backups would be to store them in a fireproof box rather than taking them home. In addition, the Commission lacks a system of daily backups for financial records related to budgeting.

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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Recommendation:

We recommend that the Commission prepare a detailed written needs analysis, enhance its disaster recovery plan, and purchase a fireproof box for the storage of daily backup tapes. The Commission should also backup its budget information regularly.

Management's Response:

*As noted above, the agency intends to conduct a comprehensive planning session at the end of the current legislative session. The agency intends to conduct the recommended written needs assessment at that time, when the potential impact of the legislative changes on the agency's management information systems will be better known.*

*The Commission will continue to develop its disaster recovery plan in accordance with the auditors' recommendations and with the continued input of the Department of Information Resources. The agency has purchased a fireproof safe for on-site storage of daily backups as recommended by the audit team.*

**Texas Commission on Fire Protection**  
Detailed Issues and Recommendations

**Results of Performance Measure Review**

**Agency 411**

**Fiscal Year 1996**

ABEST <sup>1</sup> Objective or Strategy	Description	Classification	ABEST Results	Certification	Comments
B.3.1	Number of Fires Investigated	Output	746	Certified With Qualification	<p>The amount reported was accurate, but controls over the reported information do not ensure continued accuracy.</p> <p>We found no exceptions in our tests of math accuracy (we were able to locate supporting documentation and determine the process used to calculate each measure).</p> <p>We noted a lack of segregation of duties over the input, editing, and submission of data to the Legislative Budget Board (LBB). This could lead to data entry errors going unnoticed and unauthorized edits and submissions.</p>
A.1.2	Number of Buildings Inspected or Reinspected For Fire Safety Hazards	Output	6,695	Certified With Qualification	<p>We also noted a lack of a review process over the editing of data before it is finally submitted to LBB. Existing procedures do not allow employees the opportunity to review their own work before the final submission to LBB.</p>

<sup>1</sup>ABEST = Automated Budget and Evaluation System for Texas

## Texas Commission on Fire Protection

### Detailed Issues and Recommendations

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Management's Response:

**Number of Fires Investigated:** *The agency has implemented a thorough review process and will develop procedures to segregate duties in accordance with this recommendation.*

**Number of Buildings Inspected or Reinspected For Fire Safety Hazards:**  
*The agency has implemented a thorough review process and will develop procedures to segregate duties in accordance with this recommendation.*

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Texas Commission on  
Human Rights

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# Texas Commission on Human Rights

## Detailed Issues and Recommendations

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### Overall Conclusion

The Texas Commission on Human Rights (Commission) needs to improve internal financial controls over cash receipts, travel funds, and fixed assets. In addition, it should strengthen human resources management systems relating to the Fair Labor Standards Act, evaluations, and career development training. The Commission also needs to develop a formal disaster recovery plan for its automation system.

The Commission has adequate control systems to ensure that its statutory functions are performed satisfactorily. Statutory functions include providing equal employment opportunity training and fair housing training and technical assistance to employers and housing providers and investigating and resolving employment and housing discrimination complaints.

### Background

The mission of the Texas Commission on Human Rights is to enhance the quality of life and economic well-being of the citizens of Texas by reducing discrimination in employment and housing through enforcement of the Texas Commission on Human Rights Act and the Texas Fair Housing Act. In fiscal year 1996, the Commission had 46 employees and expenditures of approximately \$2.5 million.

Section 1:

### The Commission Should Strengthen Internal Controls Over Financial Management Systems

The Commission has not implemented sufficient controls over accounting functions, including cash receipts, travel, and fixed assets. Additionally, improvements are needed in the processes relating to historically underutilized businesses (HUB).

Section 1-A:

#### Improve Controls Over Cash Receipts

(Prior Audit Issue)

Controls over the Commission's cash receipts process are weak. In fiscal year 1996, the Commission collected approximately \$253,000 in cash receipts. In our review of cash, we identified the following weaknesses:

- Cash transaction responsibilities are not properly segregated. An adequate segregation of duties should exist between cash receipts, disbursements, deposits, recording, and reconciliations. Currently one employee prepares the

## Texas Commission on Human Rights

### Detailed Issues and Recommendations

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deposit, records the deposit, conducts the reconciliation, and usually delivers the deposit to the Treasury.

- The Commission has not documented detailed procedures for handling cash receipts, and various Administrative Directives have not been updated to reflect current procedures.
- Deposit vouchers are not reconciled against the Money Receipt Register to ensure all checks received are deposited promptly. Checks are logged on the Money Receipt Register when received. However, the date the checks are deposited is not documented on the register. As a result, the Commission can not ensure that all checks are deposited in a timely manner. Although we were able to obtain documentation to support compliance with the three-day deposit rule, reconciling the Money Receipt Register to deposit vouchers would enhance controls by providing a quick but comprehensive view of the status of cash deposits.
- Settlement checks are not always logged out when mailed to the claimant. Settlement checks should be logged in when received and logged out when mailed or given to the claimant. This would provide assurance that all settlement checks have been properly accounted for without extensive research. Settlement checks are logged in on the Money Receipts Register. Of the 305 settlement checks received during fiscal year 1996, 5 percent (14) were not logged out when mailed or given to the claimant. In fiscal year 1997, a total of 273 settlement checks had been received as of June 13, 1997. Eight percent of these checks (21) had not been logged out when mailed or given.

#### Recommendation:

We recommend that:

- Job responsibilities be reassigned to ensure proper segregation of duties for cash receipts
- Administrative Directives be revised to ensure all current procedures are reflected and that detailed procedures for handling cash are documented
- All deposit vouchers be reconciled against the Money Receipt Register to ensure all checks to be deposited are deposited within the three-day requirement
- Settlement checks be logged out on the Money Receipt Register when the checks are mailed to the claimant; the Money Receipt Register should also be reviewed on a regular basis to confirm all checks are properly handled

# Texas Commission on Human Rights

## Detailed Issues and Recommendations

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### Management's Response:

*The Commission currently has procedures and instruments in place, however, revisions are required to ensure segregation of duties and enhancements of internal controls. Since the last audit during Fiscal Year 1991, the Commission converted from a manual accounting system to the Automated Statewide Uniform Accounting System (USAS). This automated conversion changed accounting procedures where the Commission needs to formally document this change in updating its forms, re-assignment of duties, and its Administrative Directives as a matter of policy. The Commission's reconciliation of cash transaction responsibilities will be adopted by the Director of Administration and Special Projects, who shall perform a weekly review and verify the Money Receipt Register against the deposit. The Money Receipt Register shall also be revised to accommodate this action for a quick comprehensive view in status of deposits. Administrative Directives shall be updated prior to end of the current fiscal year. The Director of Enforcement shall ensure that all settlement checks are properly handled. The Commission shall initiate a log and procedures upon the receipt of settlement checks held in the Commission's safe. The Director of Enforcement shall ensure that all settlement checks are logged out when mailed/received by the claimant. The Money Register Receipt Log shall also be revised to accommodate verification by the Director of Enforcement upon performing a weekly review of status of settlement checks.*

Section 1-B:

### **Use Travel Funds More Efficiently**

The Commission may not be effectively conserving travel funds by maximizing economy and efficiency. Although the Commission has not violated any state or federal laws governing travel, the cost to the State is higher for travel by the Executive Director and employees on actual expenses than what would normally be incurred when following state rates. In fiscal year 1996, the Commission expended approximately \$105,000 for travel.

The Executive Director and employees traveling with him charged food and hotel costs that did not maximize savings to the State of Texas. Fifty percent (8 of 16) of the fiscal year 1996 travel vouchers tested contained either food or hotel costs in excess of the standard allowable state rate. For the eight travel vouchers tested, the total actual expense exceeded the total allowable state rate by approximately \$800.

Heads of agencies and employees traveling with them may receive reimbursement of their actual expenses according to the Travel Regulations of the General Appropriations Act, Section 17, and the Commission's enabling statutes. However, Section 13 also states that "Heads of agencies shall conserve the funds appropriated by this Act by maximizing economy and efficiency when planning the travel of state employees under their authority."

# Texas Commission on Human Rights

## Detailed Issues and Recommendations

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### Recommendation:

The Commission should ensure that travel expenditures for Commissioners, the Executive Director, and employees traveling on actual expenses with the Executive Director are prudent. All attempts should be made to ensure that expenditures are made in accordance with applicable state travel guidelines.

### Management's Response:

*The Commission shall clearly document on travel vouchers that it has demonstrated maximum economy and efficiency in expending travel funds for all employees and Commissioners authorized by statute to receive actual travel expenses. Such documentation should include but not be limited to the following: (1) utilize airline carriers and rental cars when necessary that are on state contracts at reduced rates; (2) maximize reimbursements to the Commission to recover in part or in whole travel cost for both in state and out of state trips; and (3) utilize conference rates or government rates at hotels. Several of these strategies are currently in use but have not been adequately documented on travel vouchers.*

Section 1-C:

### **Strengthen Controls Over Fixed Assets**

Controls over fixed assets at the Commission need improvement. Enhancing controls over fixed assets may prevent the loss, theft, or abuse of the Commission's \$179,000 in fixed assets. We noted the following during our review of fixed assets:

- Inventory duties are not segregated. One person purchases the item, records the item into the State Property Accounting (SPA) system, and reconciles the inventory balance.
- Inventory items acquired by the Commission during fiscal year 1996 were not recorded in SPA until May 19, 1997, and a reconciliation of the balance in the general ledger to the SPA balance is not performed monthly as required by SPA guidelines.
- Out of a sample of 10 inventory items, four (40 percent) did not have a property tag stating the agency number and property number. None of the property tags were permanently affixed, nor did the tags state that the property was owned by the State of Texas as required by SPA guidelines.

### Recommendation:

The Commission should:

## Texas Commission on Human Rights

### Detailed Issues and Recommendations

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- Ensure that the entry of inventory items onto SPA be performed by someone other than the person who also receives the items.
- Record inventory items on the SPA system when acquired and initiate a formal process to reconcile the general ledger to the inventory balances on a monthly basis.
- Ensure that all inventory items have a permanently affixed property tag stating that they are property owned by the State of Texas as required by SPA guidelines.

#### Management's Response:

*The Commission will ensure that the separation of duties in fixed assets does occur. A second person shall receive and sign for items purchased by the Commission. Recorded inventory will also be signed by a second person and reconciled to the general ledger on a monthly and yearly basis. The Director of Administration and Special Projects shall ensure reconciliation the first week of every month for the prior month and by September 30 for the end of the previous fiscal year with appropriate signatures. Inventory items not recorded on SPA or tagged are because the Commission is/was awaiting acknowledgment of deletion from a transferring agency. The Commission does track all appropriate inventory on SPA. It shall also purchase permanently affixed tags for all inventory stating "Property owned by the State of Texas" and properly affixed on all property by the end of this fiscal year.*

Section 1-D:

#### **Separate Responsibilities for Entering and Releasing Transactions in the Uniform Statewide Accounting System**

The Commission has not segregated the responsibilities for entering and releasing transactions in the Uniform Statewide Accounting System (USAS). Currently, one individual enters and releases all accounting transactions. Management asserts that a review and approval process is in place, which would serve as a compensating control. However, there is no documented evidence to support the assertion.

Accounting responsibilities should be separated to ensure that the Commission's financial resources are protected from abuse.

#### Recommendation:

We recommend that the Commission review and separate the entry and release functions that update the statewide accounting systems. Alternate compensating

## Texas Commission on Human Rights

### Detailed Issues and Recommendations

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controls such as management's review and approval are acceptable. The review should include a comparison of source documents to the information entered in USAS, and there should be documentation evidencing the review and approval process.

#### Management's Response:

*The Commission does have alternate compensatory controls of the review and approval of transactions, however, documentation of verification of such review is needed. The Director of Administrative and Special Projects shall document by comparing source documents to the USAS transaction. Documentation shall be evidenced on internal financial reports currently in place. Verification by the Director of Administration and Special Projects shall be maintained in the accountant's office.*

Section 1-E:

#### **Improve Controls Over Historically Underutilized Businesses (HUBs)**

Although the Commission is making an effort to increase the percentage of contracts awarded to HUB vendors, it does not have a policy in place to increase the use of HUBs and is not in compliance with Government Code, Section 2161. We noted the following:

- Documentation to support that non-certified entities are HUBs needs to be maintained. In fiscal year 1996, the Commission made 69 percent (approximately \$100,000) of its total purchases from HUB vendors, but most of these were not on the General Services Commission's (GSC) certified list of vendors. Because the vendors were not on the certified list, the Commission should maintain documentation showing that they are minority vendors.
- There is no documented plan for increasing the Commission's use of HUBs in purchasing. A review of the Commission's strategic plan showed that the Commission has a 20 percent HUB utilization goal. However, there is no action plan detailing procedures for achieving the goal. Furthermore, the Commission does not have documentation to support why it lowered the goal for HUB utilization to 20 percent from GSC's goal of 30 percent. Agencies are allowed to develop a different percentage but must be able to support it.
- The Commission did not comply with Government Code, Sections 2161.122 and 2161.183. Monthly information relating to the use of HUB contractors was not maintained, nor did the Commission estimate the total value of contract awards expected for fiscal year 1996 by the 60th day of the fiscal year.

# Texas Commission on Human Rights

## Detailed Issues and Recommendations

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### Recommendation:

We recommend that the Commission:

- Improve documentation identifying non-certified HUB vendors as minority or woman owned businesses.
- Establish an action plan for increasing HUB utilization. In addition, the Commission should ensure that the goal for HUB utilization is reasonable and supportable.
- Comply with Government Code, Sections 2161.122 and 2161.183 by maintaining monthly information relating to the use of HUBs and calculating the expected awards of HUBs by the 60th day of the fiscal year.

### Management's Response:

*The Commission shall comply with the Government Code 2161 in maintaining documentation and annual estimate of HUB contracts. The Commission maintains specific documentation on all vendors, however, existing documents shall be revised to include verification by vendor of HUB status, in addition to certification by the General Services Commission. The Commission shall maintain this vendor information on a monthly basis and shall estimate the agency's annual expected awards by the 60th day of each fiscal year. The Commission shall develop an action plan detailing procedures for achieving its goal as identified, and in support of the agency's strategic plan. This documentation shall be maintained in the purchaser's office.*

Section 2:

## **The Commission Should Improve Controls Over Its Human Resource Management Systems**

The Commission needs to develop procedures to ensure compliance with the Fair Labor Standards Act (FLSA). Additionally, various human resource policies and procedures relating to grievances, evaluations, and training need to be revised to ensure that human resources are being effectively utilized. Approximately 80 percent of the Commission's expenditures are salaries and payroll-related costs.



# Texas Commission on Human Rights

## Detailed Issues and Recommendations

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Section 2-A:

### **Improve Procedures Over Fair Labor Standards Act (FLSA) Administration**

The Commission has not developed or implemented adequate control procedures to ensure compliance with the Fair Labor Standards Act (FLSA). Management has not recently evaluated the current duties and responsibilities of each position to make a determination as to exempt or nonexempt status based on Department of Labor regulations. Furthermore, documentation has not been maintained to support the basis on which determinations are made.

An agency found to have made an incorrect determination is liable for back wages for a period of up to two years from the date of an employee's claim and up to three years if the agency is found to have willfully violated any of the provisions of FLSA.

#### Recommendation:

We recommend that the Commission:

- Periodically review the duties and responsibilities of all positions to determine the appropriate FLSA exempt or nonexempt status.
- Maintain documentation to support the determinations, including the basis of FLSA exempt determinations (Executive, Administrative, and Professional).

#### Management's Response:

*The Commission with the assistance of the State Auditor's Office, Classified Division shall review duties and responsibilities of all positions as required by the U.S. Department of Labor for appropriate FLSA status. This review shall be initiated by the Human Resources Specialist and coordinated annually under the supervision of the Director of Administration and Special Projects completed by August 31 of each fiscal year, in accordance with the State Classification Plan. All documentation shall be maintained by the Human Resources office.*

Section 2-B:

### **Revise Evaluation Procedures**

The rating scales for some of the Commission's personnel evaluations (specifically for administrative support staff and Commission management) are not clearly defined. The Commission has a variety of evaluation forms that are based on individual employees' job descriptions.

## Texas Commission on Human Rights

### Detailed Issues and Recommendations

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Employees are rated on specific tasks included in their job descriptions; however, quantifiable justification for the rating scales on some evaluations is not listed. This quantification provides measurable performance goals and thereby decreases subjectivity in the evaluation process.

We recognized tasks in our review where quantification may be infeasible. However, these tasks were not supported by specific examples of the reasons for ratings. In order to decrease subjectivity, support for ratings should be provided. This will provide employees with the needed information to improve their performance in response to low ratings or to continue high performance.

#### Recommendation:

We recommend that the Commission revise its performance evaluation policies and procedures to include quantified justification for ratings. When quantification of tasks is not possible, we recommend that ratings on evaluations be consistently supported by specific comments.

#### Management's Response:

*The Commission agrees that evaluation standards for all employees should be objective, job-related and quantifiable. Although many of the Commission's employees are evaluated based on performance evaluation forms incorporating the above referenced standards, the Commission will adjust all performance evaluation forms to reflect these standards. Many of the performance evaluation ratings are supported by working documents that are developed and discussed with employees during the evaluation process. However, the Commission will insure that all performance evaluation ratings are substantiated by specific documentation which constitutes the basis for rating employees' performance.*

Section 2-C:

#### **Ensure That All Staff Receive Adequate Career Development Training**

The Commission does not have a process in place for assessing and prioritizing training needs, nor does the Commission document all training taken by its employees in the individual employee personnel files. The only training documentation maintained is the rosters for internal training courses. External training is not tracked.

Without a formal process for assessing training needs, there is a risk that employees will not get the training needed to increase their job productivity. Additionally,

## Texas Commission on Human Rights

### Detailed Issues and Recommendations

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management cannot adequately perform an assessment of training needs if complete documentation of training taken by employees is not maintained.

Recommendation:

We recommend that the Commission document all training courses attended both internally and externally by its employees and develop a process for assessing the training needs of all of its employees.

Management's Response:

*The Commission shall develop a training assessment instrument to be utilized in conjunction with the performance evaluation to determine internal/external priorities. This assessment shall be maintained in each employee's personnel file, monitored and tracked by the Human Resources Specialist for the agency. Internal and external training will be documented and maintained in each employee's personnel file. Given training requirements under the Commission's federal contracts, and the specialized functions of the Commission, out of state travel to participate in external training programs is necessary.*

Section 2-D:

### **Revise Grievance Procedures and Track Employee Grievances and Disciplinary Actions**

The Commission needs to enhance controls over human resources by revising procedures over employee grievances, sexual harassment, and Americans with Disabilities Act (ADA). In addition, the Commission needs to track employee appeals and disciplinary actions.

- The following revisions to the Commission's appeal (grievance) procedures are needed:
  - The current procedures only cover discipline, discrimination, and denial of benefits under law. These procedures should be expanded to cover all personnel issues, including promotions or other payroll-related issues, supply or equipment deficiencies, and other general terms and conditions of employment.
  - Sexual harassment complaint resolution procedures, including a time line for resolution, should be documented. Formal policies on sexual harassment have been documented and comply with regulations. However, the policy does not include a time line and standard process

## Texas Commission on Human Rights

### Detailed Issues and Recommendations

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for outlining the entire process for handling sexual harassment complaints.

- ADA policy and complaint procedures should be included. The inclusion of ADA policy ensures that all staff members are knowledgeable of ADA, which provides for reasonable work place accommodations for persons with disabilities.
- Additionally, the Commission does not track or monitor employee grievances filed or disciplinary actions taken.
  - Information on disciplinary actions is included in the employee personnel files, but the information is not maintained in a summary format for periodic review. The Commission's Discipline segment of the Personnel Manual notes that the discipline selected must be consistent for all employees who have committed similar offenses. If disciplinary actions are not tracked, the Commission can not ensure that discipline imposed is commensurate with that of similar cases.
  - Furthermore, the Commission does not track its grievances. Monitoring grievances will identify trends in issues that impact the Commission's employees and may provide management insight on areas that might need improvement.

#### Recommendation:

We recommend that the Commission:

- Revise formal appeal procedures in the Personnel Manual to cover all personnel-related issues. The manual should also include ADA policy and complaint procedures as well as a clear definition of the process for handling sexual harassment complaints that include time lines for resolution. Additionally, the ADA procedures should contain the name of the ADA coordinator, the time frame for filing a complaint, the list of components needed in the complaint resolution procedure (including documented time frames for resolution), and a statement of non-retaliation.
- Monitor employee grievances to ensure that trends in issues affecting Commission employees are identified, and track disciplinary actions on an annual basis to ensure that discipline imposed is commensurate with that of similar cases.

## Texas Commission on Human Rights

### Detailed Issues and Recommendations

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#### Management's Response:

*The Commission has an appeal process in lieu of a grievance process. The section of the Commission's personnel manual covering the appeal process will be adjusted in accordance with informal discussion between the Executive Director and the Auditors to encompass a broader range of personnel transactions. The Commission shall establish time lines for implementing its sexual harassment and ADA policy and complaints procedures. In addition, the Commission shall maintain an appropriately documented log for all formal appeals and resolutions of formal complaints as well as the personnel related issues raised by the employee in such appeals or complaints. There is no statutory or court interpreted requirement that an employer's personnel manual include a policy with respect to employees with a disability. However, as a matter of good practice such a policy should be included in the Commission's personnel manual. The Commission's Human Resources Specialist already functions as the coordinator for the Commission's employees with disabilities. This responsibility shall be reflected in an Administrative Directive.*

Section 2-E:

#### **Update Employee Personnel Files**

Some employee personnel files do not contain updated information on personnel actions. Forty-five percent (5 of the 11) personnel files tested did not document a personnel action resulting from an agencywide reclassification that was effective November 1, 1995. It is a good management practice that all personnel actions be formally documented in employee personnel files. Furthermore, salary administration provisions in Article IX effective September 1, 1997, require agencies to identify specific criteria to be met and to document in employee personnel files support for every merit increase and promotion.

#### Recommendation:

We recommend that the Commission ensure that personnel files contain formal documentation of all personnel actions.

#### Management's Response:

*Personnel files shall contain all appropriate documents for personnel actions. To ensure completeness, an annual review shall be conducted of the agency's personnel file inventory on the sixth month of each fiscal year by the Human Resources Specialist and approved by the Director of Administration and Special Projects.*

# Texas Commission on Human Rights

## Detailed Issues and Recommendations

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Section 3:

### The Commission Should Develop a Formal Disaster Recovery Plan

The Commission has not developed a formal disaster recovery plan for its automation system that complies with Department of Information Resources (DIR) guidelines. The Commission is performing backups twice a week on its automated data; however, these backups are not stored off-site. The Commission relies considerably on information maintained in its management information system; therefore, it is essential that data be safeguarded. If a formal plan is not in place, valuable information may be lost. This could also have an effect on work productivity due to reconstructing lost files.

#### Recommendation:

We recommend that the Commission develop and implement a formal disaster recovery plan that complies with DIR guidelines to ensure that it can operate effectively in case its primary files are destroyed. This plan should address the storage of the backups at an off-site location.

#### Management's Response:

*The Commission currently has two plans with the Department of Information Resources. Both the strategic and the operating plan are current, approved and filed in accordance to DIR guidelines. The strategic plan does have a brief statement for disaster recovery, however, the Commission does need a formal, more detailed plan with procedures. The Commission shall prepare with the assistance of the State Comptroller, State Auditor's Office & DIR, a Disaster Recovery Plan by the end of this current fiscal year.*

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Texas State Library and Archives  
Commission

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# Texas State Library and Archives Commission

## Detailed Issues and Recommendations

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### Overall Conclusion

The Texas State Library and Archives Commission (Commission) has adequate controls in place to ensure that it fulfills its statutory functions. However, the Commission needs to strengthen controls over policies and procedures for the Genealogy Services Department, copy cards used in the Genealogy Services Department, multi-component fixed assets, and Uniform Statewide Accounting System (USAS) security.

### Background

The Commission's mission is to:

- Provide and promote the use of information resources.
- Assist libraries and encourage cooperation among them.
- Preserve significant historical material.
- Ensure the availability of federal and state publications and records.
- Promote the systematic management of records and information.

The Commission is composed of six members who oversee the eight divisions of the State Library. The Commission received appropriations of \$20.4 million for fiscal year 1996 and employed a staff of 194.

Section 1:

### Update Policies and Procedures in Genealogy Services Department

In our review of the Commission, we noted that the policies and procedures in the Genealogy Services Department's *Policies, Procedures, Other Items Manual* are outdated. None of the three procedures we selected for testing are currently used by Genealogy Services. Management indicated that it knew the manual was outdated but had not had the time to update it.

Policies and procedures are integral to the planning process and are essential tools for managerial direction and control of the operating environment. Procedures serve as a management control by standardizing daily operations. If they are outdated, management goals and objectives may not be achieved and resources may not be used for intended purposes.

# Texas State Library and Archives Commission

## Detailed Issues and Recommendations

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### Recommendation:

We recommend that the Commission update its policies and procedures for the Genealogy Department so that they reflect current practices and provide the desired direction and control over operations.

### Management's Response:

*The Genealogy Department's Procedures Manual is currently being revised by the Department's Supervisor to eliminate all obsolete policies and procedures and to ensure that it conforms to current policies and practices. The revised manual is scheduled for completion on or before September 30, 1997.*

Section 2:

## Improve Controls Over Resource Management

Although the Commission has established controls over many areas of resource management, the Commission should improve controls over copy cards and multi-component fixed assets.

Section 2-A:

### Implement Controls Over Copy Cards

Our review of controls over copy cards in the Genealogy Services Department showed that there are insufficient safeguards to ensure the cards are used for appropriate purposes. Genealogy Services sells copy cards to library users. During operating hours, an inventory of unsold copy cards valued in excess of \$800 is routinely stored in an unlocked money box in an unlocked drawer in a public area. In addition to not physically safeguarding the copy cards, inventory records are not reconciled to cards sold and revenue received. As a result, the Commission cannot detect if copy cards are lost or stolen.

Copy cards are a liquid asset that need to be physically safeguarded and accounted for.

### Recommendation:

We recommend that the Genealogy Services Department:

- Store unsold copy cards in a secure location.

## Texas State Library and Archives Commission

### Detailed Issues and Recommendations

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- Perform monthly reconciliations of unsold copy cards, copy cards sold, and sales revenues.

#### Management's Response:

*Pursuant to the auditor's recommendation, unsold copy cards are now being stored in a locked filing cabinet in the supervisor's office. On July 31, 1997, unsold copy cards will be inventoried and thereafter the supervisor will perform a monthly reconciliation of unsold copy cards, copy cards sold, and sales revenues, and submit that information to the Assistant Director, Information Services, Archives and Information Services Division.*

Section 2-B:

### **Improve Controls Over Multi-Component Fixed Assets**

Our analysis of fixed assets showed that the descriptions on the State Property Accounting (SPA) system list are not specific enough to identify all multi-component items associated with an inventory number. Without this control, there is a risk that the Commission might not be able to detect if multi-component items are lost or stolen.

For fixed assets to be protected, they must be accurately identified and recorded. In the case of multi-component fixed assets, such as keyboards and monitors, each component needs a separate inventory number.

#### Recommendation:

We recommend that the SPA list of property descriptions be updated to include the description of (and number of) multi-component items associated with the same inventory number.

#### Management's Response:

*SPA property descriptions will be updated to include the description and number of multi-component items. We will assign the inventory number tag to the primary component and affix unnumbered State of Texas property tags to the other components, in accordance with SPA procedures of the Comptroller of Public Accounts.*

## Texas State Library and Archives Commission

### Detailed Issues and Recommendations

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Section 3:

### **Increase Security Over Access to the Uniform Statewide Accounting System**

Our analysis of security over access to the Uniform Statewide Accounting System (USAS) showed that six employees had access that allowed them to make changes to the Commission's accounting structure. We commend management for having begun the process to reduce the level of access for four of the six employees.

Inappropriate access to USAS increases the risk for errors and unauthorized changes to the Commission's accounting structure. The level of access granted to an employee should correspond to the employee's job duties and responsibilities. Strong internal controls over data entered into USAS and other automated information systems provide reasonable assurance that data will be accurate and complete.

#### Recommendation:

We recommend that the Commission ensure that appropriate access to USAS is given to employees based on their job duties and need for access.

#### Management's Response:

*The USAS Security Coordinator of the Commission has taken steps to reduce the level of access for each user of USAS. As a result, the capabilities of some of the users have been restricted while others have increased to ensure there is a complete segregation of duties among Accounting personnel. Before an employee is given access to USAS, his or her duties are reviewed to determine the need for access. If an employee is not part of the Accounting staff and it is determined that there is a need for access to USAS, only inquiry privileges are granted. We will continue to review all users and their levels of access such that access to USAS is kept to a minimum level.*

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State Pension Review Board

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# State Pension Review Board

## Detailed Issues and Recommendations

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### Overall Conclusion

The State Pension Review Board (Pension Review Board) has established reasonable management control systems for human resource and information management. The Pension Review Board could improve its management control systems by adding independence requirements to contracts with actuaries and developing an ethics policy for its employees and board members. Although the Pension Review Board has some controls in place over performance measures, we were unable to certify one measure.

Our review of the Pension Review Board included an analysis of the comprehensive review process and controls over human resource and information management. In addition, we reviewed the reported result for one performance measure.

### Background

The Pension Review Board was created by the 66th Legislature effective September 1, 1979, to review public retirement systems in Texas to ensure financial soundness and proper management. The Pension Review Board is also required to review pension plans to ensure that equitable benefits are received by plan members. The Pension Review Board provides information and technical assistance to public retirement systems, pension plan members, sponsoring political entities, and the public. The Pension Review Board also recommends policies and legislation to public retirement systems and their sponsoring governments.

The 322 public plans currently reporting to the Pension Review Board include all 9 statewide plans, 154 local government funds, and 159 local fire fighter funds. The local plans range in size from 1 member to more than 14,000 members and retirees.

In fiscal year 1996 the Pension Review Board had five employees and operating expenditures of approximately \$256,000. Approximately 83 percent of the Pension Review Board's revenues were from state appropriations, and the remaining 17 percent were from voluntary contributions from Texas' public retirement systems.

Section 1:

### Independence Requirements Should Be Added to Pension Review Board Contracts

The contracts between the Pension Review Board and actuaries for fiscal years 1993, 1995, and 1997, did not include any independence requirements regarding conflicts of interest. The actuaries are responsible for conducting actuarial and cost analyses of various proposals, including proposed legislation. Without terms in the contract restricting conflicts of interest, the Pension Review Board cannot hold actuaries



## State Pension Review Board

### Detailed Issues and Recommendations

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accountable for obtaining unbiased actuarial analyses of pension plans and proposed legislation.

The requests for proposals for actuaries in fiscal years 1993 and 1995 contained independence statements. Specifically, the requests for proposals included the following independence requirements:

- For reviewing legislation, the actuary must agree not to provide actuarial services to any pension plan governed by Texas statutes during the term of the contract.
- For special projects, the actuary must not be hired by a pension system subject to an actuarial audit under the contract for two years after the contract completion date.

These requirements were not included in the contracts with the actuaries. As a result, these independence requirements are not enforceable.

#### Recommendation:

We recommend that the Pension Review Board amend existing contracts with actuarial firms to include the independence requirements stated in the request for proposals. The contract with the actuary to review proposed legislation should also state that the actuary should not currently be affiliated with a defined benefit plan in Texas. Furthermore, the Pension Review Board should ensure that independence requirements are included in future contracts.

#### Management's Response:

*Future contracts between the Pension Review Board and actuaries will include the independence language. With the Legislature adjourned, no further actuarial work is contemplated at this time. Although, as indicated, the independence clause has always been in the requests for proposals and adhered to, the tighter management control of having language in the actual contract will be implemented by the PRB in order to insure that no conflicts ever occur.*

Section 2:

## **Develop and Implement an Ethics Policy for Employees and Members of the Board of Directors**

The Pension Review Board does not have an ethics policy for its employees and the members of its Board of Directors (Board). Board members and employees are

# State Pension Review Board

## Detailed Issues and Recommendations

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required to adhere to various ethics laws and regulations. For example, Board members and employees must adhere to Section 572.051 of the Government Code, which deals with standards of conduct. Furthermore, the Pension Review Board does not provide its employees and Board members with a list of laws and regulations with which they must comply.

It is good management practice to have a written ethics policy for staff and Board members. It is also a good management practice to require employees and Board members to acknowledge in writing that they are aware of the policies. An ethics policy is necessary to ensure compliance with state and federal law. Without an ethics policy, employees and Board members may not be aware of the ethics requirements to which they must adhere. Consequently, ethics violations may not be detected and corrected.

### Recommendation:

We recommend that the Pension Review Board adopt an ethics policy that applies to both employees and Board members. The policy should include:

- Specific laws that apply to both parties
- Examples of conflicts of interest
- Examples of unallowable conduct, including a description of the types of benefits and gifts that are prohibited
- Procedures to be followed if actual or apparent conflicts of interest are identified

All Board members and employees should acknowledge in writing that they have received and understand the ethics policy.

### Management's Response:

*This item is on the agenda for our next board meeting. Most likely, a Board committee will be established to work on the document and present it to the full Board. The Board will ensure that a sound ethics policy is adopted which addresses the topics specified in the Auditor's Report.*

**State Pension Review Board**  
Detailed Issues and Recommendations

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**Results of Performance Measures Review**

**Agency 338**

**Fiscal Year 1996**

Description	Classification	Results	Certification	Comments
Percent of Compliance Actions Completed Within 60 Days	Efficiency	49.5	Inaccurate	<p>4 of the 30 (13.3 percent) compliance reports examined were incorrectly included to support the reported performance.</p> <p>Furthermore, the Pension Review Board misreported the performance because an incorrect formula was used to calculate year-to-date performance. The correct formula would have calculated the measure as 71.1 percent, rather than 49.5 percent (30.4 percent error rate). The Pension Review Board has recalculated the measure using the correct formula and reported the result to the Legislative Budget Board.</p>

*Management's Response:*

*As noted in the review of the one performance measure, steps have already been taken to correct the method of calculation.*

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Texas Public Finance Authority

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# Texas Public Finance Authority

## Detailed Issues and Recommendations

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### Overall Conclusion

The Texas Public Finance Authority (Authority) has established reasonable management control systems for policy, information, and resource management. These controls enable the Authority to provide financing for buildings and equipment for state use. There were no significant findings or recommendations for improvement as a result of the review. In addition, the three performance measures examined were certified as accurate.

### Background

The Authority was created by the Legislature in 1983. The mission of the Authority is to provide the most efficient method of financing for:

- Acquisition, construction, repair, renovation, or other improvement of buildings for the use of state agencies
- Equipment that is eligible to be financed
- Other Legislature-approved projects

The oversight body of the Authority is the Board of Directors (Board), which is composed of six members appointed by the Governor with the advice and consent of the Senate. Members of the Board are appointed for staggered terms of six years.

In fiscal year 1996, the Authority had 15 full-time equivalent employees and operating expenditures of approximately \$630,000. Approximately 78 percent of the Authority's expenditures are funded by bond proceeds, and the remaining 22 percent are funded from administrative fees collected from state agencies participating in the Master Lease Purchase Program.

**Texas Public Finance Authority**  
Detailed Issues and Recommendations

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**Results of Performance Measures Review**

**Agency 347**

**Fiscal Year 1996**

Description	Classification	Results	Certification	Comments
Average Issuance Cost per Issue	Efficiency	\$0.5519	Certified	
Total Issuance Cost <sup>2</sup>	Explanatory	\$1,113,579	Certified	
Number of Financial Transactions Including Debt Service Payments	Output	6,123	Certified	

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<sup>2</sup>This measure is not a key measure. However, this measure is a basis for calculations of other measures and the Legislative Budget Board wanted assurance that the Authority calculates it accurately.

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Texas Veterans Commission

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# Texas Veterans Commission

## Detailed Issues and Recommendations

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### Overall Conclusion

The Texas Veterans Commission (Commission) has established many of the necessary management control systems to ensure that it performs its statutory functions. However, the lack of controls at the federal level over reimbursements to veterans for medical expenses exposes the federal medical reimbursement system to the risk of the U.S. Department of Veteran Affairs paying unsupported claims. In addition, the Commission could strengthen operations by enhancing controls over human resources.

### Background

The Commission's main responsibilities include assisting veterans with claims, training Veterans County Service Officers, and providing information and outreach services to veterans and veteran associations. In fiscal year 1995, the Commission had 80 employees and expenditures of \$3.3 million. In fiscal year 1995, total federal payments to veterans and their widows and orphans who are clients of the Texas Veterans Commission exceeded \$574 million.

Section 1:

### Develop Controls Over Medical Reimbursements to Compensate for Weaknesses at the Federal Level

The U.S. Department of Veteran Affairs (VA) does not require veterans to routinely submit receipts when filing claims for reimbursements of medical expenses. As a result, documentation is not requested to assess the validity of claims unless the claim is selected for audit by the VA. This lack of controls at the federal level increases the risk of unsupported claims within the medical reimbursement system. In addition, this situation increases the risk that Commission management would not detect errors and irregularities on the part of state personnel in a timely manner.

Even though the primary control weakness exists at the federal level, the Commission could implement controls at the state level to help ensure that reimbursements are made in accordance with program intent. For example, the Commission for Veterans Affairs for the State of Nevada requires veterans to provide receipts when being assisted with medical claims.

#### Recommendation:

We recommend that the Commission develop and implement ways to strengthen controls over the medical reimbursement system. For example, the Commission could ask to review paid receipts from the veterans it assists with medical claims. We

# Texas Veterans Commission

## Detailed Issues and Recommendations

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encourage the Commission to contact other states' veterans commissions to determine the types of controls that other states have established over medical reimbursements.

### Management's Response:

*Commission employees who assist in filing claims are scheduled for training on a continuing basis, which includes instruction on the proper filing of claims for reimbursement of medical expenses. Claimants must also sign a VA form attesting that the information being provided is correct to the best of their knowledge. Commission employees emphasize this to claimants and review receipts when provided by the claimant. The Commission will continue to explore appropriate ways to help in this matter taking into consideration its available resources and scope of authority.*

Section 2:

## The Commission Should Strengthen Controls Over Its Policy Management

While the Commission has established controls over policy management, improvements could be made in two areas:

- Management of human resources could be improved in the areas of performance appraisals and personnel actions.
- Written confirmations that goods and services have been received should be obtained before preparation of purchase vouchers.

Section 2-A:

## The Commission Should Strengthen Controls Over Human Resource Management

The Commission needs to enhance its controls over human resource management. In fiscal year 1995, salaries and payroll-related expenditures amounted to \$2.9 million, or 89 percent of the Commission's total expenditures. We identified the following weaknesses:

- The Board of Commissioners (Board) does not perform a written annual evaluation of the executive director.
- Performance evaluation guidelines did not provide a clear delineation between ratings.

## Texas Veterans Commission

### Detailed Issues and Recommendations

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- Two of the five personnel files reviewed did not contain sufficient documentation to support personnel action.

The executive director meets on a weekly basis with the chairman of the Board of Commissioners and with the full Board on a quarterly basis. However, the Board has never performed a formal performance evaluation of the executive director. An annual formal performance evaluation of the executive director provides timely feedback and helps ensure that the Commission achieves its mission and performs its statutory functions.

The Commission performs annual performance evaluations of its employees, rating employees as “outstanding,” “commendable,” “satisfactory,” or “unsatisfactory” in each of six or seven categories. However, the guidelines for each of the ratings do not provide a clear delineation between ratings and lack specific examples that demonstrate requirements for evaluation ratings. For example, the definition given for “outstanding” is “marked by distinction or prominence.” The definition for “commendable” is “worthy of notice.” No examples of employee performance are provided to help the evaluator distinguish between these definitions to ensure objectivity in the appraisal system.

Performance appraisals that give objective feedback on specific job-related performance to employees can help provide a foundation for personnel actions.

In addition, not all employee files contain adequate documentation to support pay actions. We reviewed the personnel files of five employees who had been promoted. Two of these employees were clerical staff and three were veteran counselors. The files for the two clerical personnel lacked sufficient documentation to support their personnel actions and only contained notices of their promotions. The files of the three veteran counselors had sufficient documentation to support their promotions because the files documented that the promotions were made in accordance with written guidelines.

#### Recommendations:

We recommend that the Commission:

- Develop specific criteria and a rating scale for the evaluation of the executive director. In addition, the Board should perform a formal annual evaluation of the executive director.
- Expand its performance appraisal system to provide a clear delineation between ratings and develop examples to support each rating.
- Improve the documentation maintained in personnel files to justify pay actions.

## Texas Veterans Commission

### Detailed Issues and Recommendations

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Management's Response:

*There is no such thing as a perfect evaluation system; however, the Commission has worked diligently over the years to improve its system and will continue to do so in the future.*

*The Commission Board will consider formalizing its present system of providing feedback to and evaluating the Executive Director by adding an annual performance evaluation.*

*The clerical personnel mentioned in the audit met the necessary criteria for promotion established by the Commission. Even though there was written documentation in the files, the Commission will review the documentation to see how it can be improved.*

Section 2-B:

#### **Require Written Receipts Before Preparing Purchase Vouchers**

In fiscal year 1995, purchase vouchers were prepared by the central office without always receiving written documentation that goods and services had been received. This did not comply with the Commission's policies and procedures. However, the Commission indicated that it always received verbal confirmation that goods and services were received on those occasion when it did not receive written confirmation.

We commend the Commission for immediately correcting the situation when it was brought to its attention. The Commission has designed an *Equipment and/or Supply Receipt Report* for field offices to provide written notification to the central office to confirm that goods and services were received.

Recommendation:

We recommend that the Commission consistently use the receipt report to help ensure compliance with its policy.

Management's Response:

*The Commission agreed with the State Auditor that verbal confirmation that goods and services had been received was not sufficient. It is Commission policy to require written confirmation that goods and services had been received. On a few occasions, in the interest of prompt payment of vendors, vouchers had been prepared after only verbal confirmation had been received. For this reason, the Commission created the Equipment and/or Supply Receipt Report to strengthen the Commission policy. Although there are no incidents to the Commission paying for goods and services that*

**Texas Veterans Commission**  
Detailed Issues and Recommendations

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*were not received, the Commission concurs that the use of the strengthened documentation procedures facilitates better control.*

**Texas Veterans Commission**  
Detailed Issues and Recommendations

**Results of Performance Measure Review**

**Agency 403**

**Fiscal Year 1996**

Related Objective or Strategy	Description <sup>1</sup>	Classification	Results <sup>2</sup>	Certification <sup>2</sup>	Comments
A.1.1	Number of Claims for Veterans Benefits Filed and Developed on Behalf of Veterans With Service-Connected Disabilities.	Output	15,357	Certified	
A.1.1	Amount of Department of Veteran Affairs Monetary Awards (In Millions of Dollars) Paid Because of Commission Advocacy in Claims Representation of Veterans With Service Disabilities	Outcome	\$322.3M	Certified With Qualification	The amount reported was within a 5 percent accuracy range, but controls were not in place to ensure accurate mathematical calculations.
A.1.1	Amount of Department of Veteran Affairs Monetary Awards (In Millions of Dollars) Paid Because of Commission Case Development and Advocacy in Claims to Raise or Maintain the Income of Totally Disabled War Time Veterans Above the Poverty Line.	Outcome	\$94.5M	Certified With Qualification	The amount reported was within a 5 percent accuracy range, but controls were not in place to ensure accurate mathematical calculations.

**Sources:**

- <sup>1</sup> General Appropriations Act, 73rd Legislature, (1993).
- <sup>2</sup> Output is reported for the first three quarters of fiscal year 1996. All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

# Texas Veterans Commission

## Detailed Issues and Recommendations

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### Management's Response to Comments:

*The Commission staff will make every effort to have independent review of the mathematical calculations in computing all measures of performance. Double-checking figures is important to avoid errors in math calculations or incorrect rounding of figures.*

### Sources:

- <sup>1</sup> General Appropriations Act, 73rd legislature, R.S. (1993).
- <sup>2</sup> Output is reported for the first three quarters of FY 1996. All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.



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## Follow-Up Audits

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Advisory Commission on  
State Emergency Communications  
911 Program

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# Advisory Commission on State Emergency Communications 911 Program

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477    Advisory Commission on State Emergency Communications</b>					
<p>In fiscal years 1993 and 1994, the Commission granted retroactive merit raises to four employees because performance evaluations had been late. The Commission should recover the compensation paid retroactively and take actions to prevent recurrence:</p> <p>(1) Recover the compensation paid retroactively.</p>			✓	<p>(1) The Commissioners recommended to the Commission that compensation already paid not be recovered because it would be a hardship on employees to repay, and some recipients are no longer with the Commission. However, the Commission has developed a policy to prevent compensating employees in an unauthorized manner. The new policy requires timely</p> <p>(Continued on next page.)</p>	<p>(1) Management response not requested.</p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

# Advisory Commission on State Emergency Communications 911 Program

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477    Advisory Commission on State Emergency Communications</b>					
(2) Approve personnel actions in a timely manner.		✓		<p>approval of personnel actions. (Note: We agree with the Commissioners that compensation should not be recovered retroactively.)</p> <p>(2) Despite a new policy, personnel actions are not being approved in a timely manner. Our results showed that 5 of the 13 personnel actions tested (38 percent) had not been approved in the preceding month.</p>	<p><i>ACSEC has continued to develop the necessary resources and structure to consistently implement its rules in this area. The timeliness of these actions are inevitably impacted by available staff resources and support. Those areas have, or are being addressed, and relevant personnel actions are currently being processed in accordance with agency policy.</i></p>
(3) Ensure that personnel actions are in compliance with applicable laws.			✓	<p>(3) In our review of 10 personnel actions, 2 merit raises were not supported by an evaluation performed within the preceding 12 months. In addition, the Commission does not</p> <p>(Continued on next page.)</p>	<p><i>To the agency's knowledge, no merit raises have ever been enacted without appropriate personnel evaluations. However, the personnel function in the agency has been reorganized and assigned to staff</i></p> <p>(Continued on next page.)</p>

<sup>1</sup>Key for Implementation Status

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 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

# Advisory Commission on State Emergency Communications 911 Program

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477 Advisory Commission on State Emergency Communications</b>					
				have written criteria for the granting of more than a one-step merit.	<p><i>services, resulting, possibly, in the lost of the two evaluations identified. That should not occur in the future.</i></p> <p><i>ACSEC provides two step merit increases only upon exceptional merit. The latter is documented by appropriate merit evaluations. In any case, the agency will develop criteria designed to guide supervisors in such actions.</i></p>
<p>The Commission should take appropriate action to strengthen its internal accounting controls:</p> <p>(1) Obtain and document advance authorization for purchases.</p>			✓	<p>(1) Although the Commission has revised its purchase requisition form to include an approval signature by management, our test</p> <p>(Continued on next page.)</p>	<p><i>Beginning with FY '97, ACSEC has revamped and strengthened its internal procurement process to insure that all purchase activity takes place in accordance with</i></p> <p>(Continued on next page.)</p>

<sup>1</sup>Key for Implementation Status

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<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.



# Advisory Commission on State Emergency Communications 911 Program

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477    Advisory Commission on State Emergency Communications</b>					
<p>(2) Establish passwords to gain access to its automated accounting system.</p>	✓			<p>work showed that 16 of the 24 fiscal year 1996 purchases and contracts tested (67 percent) did not have management's authorization and approval signature.</p> <p>These 16 represent \$9,101 of the \$11,378 in total purchases and contracts tested.</p> <p>(2) The Commission converted from its own internal accounting system to the Uniform Statewide Accounting System (USAS) on September 1, 1994. As a result, this recommendation is no longer applicable. However, in our review of the Commission's USAS security profiles, which limit access much like passwords, there appeared to be no significant weaknesses.</p>	<p>state law and best management practices. All agency staff have received training in this regards, and agency fiscal staff that oversees the documentation of the process has been augmented.</p>

<sup>1</sup>Key for Implementation Status

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 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

# Advisory Commission on State Emergency Communications 911 Program

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477 Advisory Commission on State Emergency Communications</b>					
(3) Segregate the functions of recording, accounts payable, purchasing, and receiving.	✓			3) The Commission hired a part-time accounting clerk in fiscal year 1995 who now performs duties related to accounts payable and payroll.	
(1) The Commission should implement a formal system of written performance evaluations for the Executive Director and the Deputy Director.	✓			(1) The Commission has developed a formal system of written performance evaluation for the Executive Director and did evaluate the previous Executive Director in accordance with its new system. The current Executive Director has been in this position less than a year and has not been due for an evaluation to date. The Deputy Director position was eliminated.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

# Advisory Commission on State Emergency Communications 911 Program

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477 Advisory Commission on State Emergency Communications</b>					
(2) In addition, the roles of these two members of management should be defined and criteria established to gauge their performance.	✓			(2) The new system of evaluation includes the roles and job description of the Executive Director and criteria to be used in his or her evaluation. This system was used in the evaluation of the previous Executive Director.	
<p>The Commission should implement controls to monitor the accuracy of surcharges by:</p> <p>(1) Establishing formal policies and procedures for review and analysis.</p>	✓			<p>(1) Formal policies and procedures to monitor the accuracy and completeness of 911 equalization and poison control surcharges submitted by telephone companies have</p> <p>(Continued on next page.)</p>	

<sup>1</sup>Key for Implementation Status

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 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

# Advisory Commission on State Emergency Communications 911 Program

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477    Advisory Commission on State Emergency Communications</b>					
(2) Developing a system for collecting and analyzing data.	✓			<p>been established by the Commission. The Commission began using them in January 1997. The policies and procedures provide for all phone company surcharge remittances to be reviewed each year and for audits to be done on those phone companies whose monthly remittances have significantly fluctuated from the preceding year.</p> <p>(2) The Commission has developed a system for collecting and analyzing data. Each month 20 phone companies' surcharge remittances will be reviewed to ensure that all phone companies' surcharge remittances are reviewed each year.</p>	

<sup>1</sup>Key for Implementation Status

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 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

# Advisory Commission on State Emergency Communications 911 Program

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, concluded

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 477    Advisory Commission on State Emergency Communications</b>					
(3) Investigating significant variances in telephone remittance amounts.	✓			(3) During fiscal year 1996, the Commission began investigating significant variances in telephone remittance amounts. During a one-year period, 100 percent of telephone companies whose surcharge remittances meet the criteria will be subject to audit.	
(4) Establishing criteria for auditing telephone companies	✓			(4) During fiscal year 1996, the Internal Auditor for the Commission developed criteria for auditing telephone companies. The Commissioners formally approved the criteria in September 1996. These criteria provide for all phone company surcharge remittances to be reviewed each year and for audits to be performed on selected phone companies meeting the criteria.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

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Texas Board of  
Architectural Examiners

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**Texas Board of Architectural Examiners**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 459 Texas Board of Architectural Examiners</b>					
The Board of Directors should implement the regulatory function of the Board by hiring an investigator.	✓			The Board of Architectural Examiners (Board) hired an investigator in November of 1995 to address the regulatory function of the Board. The Board conducted 1,205 investigations during fiscal year 1996. As of December 1996, 208 complaints are pending. Of the 208 complaints, 118 have been opened since September 1, 1996.	
The Board of Directors should develop a job description for the Executive Director.	✓			The Board of Directors has developed an adequate job description for the Executive Director position.	
The Personnel Committee should evaluate the Executive Director annually, based on job expectations, and make recommendations for all salary adjustments.	✓			The Personnel Committee evaluated the Executive Director in January 1996. Based on the evaluation, the Personnel Committee recommended a salary adjustment for the Executive Director. The next scheduled evaluation will be January 1997.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.



**Texas Board of Architectural Examiners**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 459 Texas Board of Architectural Examiners</b>					
Revise the organizational structure and task assignments.	✓			The Board has restructured the organization by consolidating similar tasks for each of the three types of licenses—Landscape Architecture, Interior Design, and Architects. The Board has assigned one person to perform similar tasks for the three different licenses instead of one person for each of the three licenses.	
Management should develop a written system for staff recruitment and selection.	✓			The Board has developed and implemented procedures for staff recruitment and selection through its Affirmative Action Plan. The procedures appear to be adequate.	
Management should document all key office policies in an employee manual.	✓			The Board has developed numerous policies that are in the employee manual. Each employee has a copy of the manual.	
Management should develop job descriptions for each position.	✓			Since the reorganization, the Board has developed adequate job descriptions for each position.	

<sup>1</sup>Key for Implementation Status

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 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Texas Board of Architectural Examiners**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 459 Texas Board of Architectural Examiners</b>					
Management should clarify and communicate the criteria used for rating the job dimensions to all employees and apply consistently.	✓			The Board has developed a performance evaluation for its employees. The files reviewed showed employees are evaluated by their supervisor and the Executive Director once a year. The Executive Director communicated the process and criteria for employee evaluations. Criteria for evaluations are documented on the evaluation form.	
Management should develop and document an intra-Board career ladder.		✓		The Board is currently working with the Texas Department of Insurance to develop a more complete career ladder policy.	<i>The agency has reviewed career ladder policies from other agencies and has developed its own policy. The draft of the career path document is in the final stages of completion and will be implemented by April 11, 1997.</i>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Texas Board of Architectural Examiners**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 459 Texas Board of Architectural Examiners</b>					
The Board should investigate the use of the Treasury Lock Box service for cash receipts.	✓			The Board has been using the Lock Box services of the Comptroller of Public Accounts (Comptroller) to process fees for license renewal since August of 1996. The benefit derived from using the Lock Box is reflected in personnel not spending as much time on receipt and deposit functions and concentrating on other functions.	
Restructure the renewal process of licenses			✓	With the implementation of the Lock Box service all licensees are asked to send fees to the Comptroller. Therefore, restructuring license renewals so that they are spread out more evenly throughout the year is not necessary.  <b>Due to the Lock Box service, it is no longer necessary for the Board to comply with this recommendation</b>	Management's response was not requested.

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
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N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Texas Board of Architectural Examiners**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 459 Texas Board of Architectural Examiners</b>					
Enter the enforcement data into a database.			✓	The purchase of an enforcement database was delayed due to the possibility of accessing a new service provided by Department of Information Resources. Service will be available in the spring of 1997. This service will link the Registration database to the Enforcement database so that only individuals in good standing will be licensed.	<i>We look forward to accessing the new system in 1997.</i>
Policies and procedures should be prepared for all functions of the Board.		✓		Policies and procedures for the various functions such as Registration, Enforcement/Education, and Accounting have been developed. However, only the Enforcement/Education procedures have been formalized. The Board has assigned an individual to oversee the completion of the procedures manuals.	<i>The restructuring of the Board was completed in over three different phases. The final phase was implemented November 1, 1996. At that time, the corrected job tasks/procedures were assigned and are being developed. The Board expects this to be completed by the end of calendar year 1997.</i>

<sup>1</sup>Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
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<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Texas Board of Architectural Examiners**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, concluded

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 459 Texas Board of Architectural Examiners</b>					
Only staff members who cannot enter data into the system should be given the ability to approve vouchers	✓			The Board has segregated the duties of entering data into the Uniform Statewide Accounting System (USAS) and approving vouchers. USAS authorization was verified for Board employees.	
A pre-numbered log for expenditure vouchers should be used for issuing voucher numbers	✓			Based on our test results, it appears the that the Board is using a pre-numbered log to monitor expenditure vouchers.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

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Office of Consumer  
Credit Commissioner

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**Office of Consumer Credit Commissioner**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 466 Office of Consumer Credit Commissioner</b>					
Define the total population of registered creditors by using sales tax records from the Comptroller of Public Accounts.	✓			The Office Consumer Credit Commissioner (Office) has estimated the population of registered creditors by sending questionnaires with the Comptroller of Public Accounts' sales tax mailings; sending informational letters to 19 Better Business Bureaus; publishing information in newsletters, magazines, and daily newspapers; and making presentations to groups both individually and via radio in large markets. Based on fiscal year 1996 efforts, the Office estimates the creditor population to be approximately 18,000.	
Modify or develop a database system for tracking/follow-up of all entities identified as a potential registrants.	✓			The Office has a database which is used for tracking and follow-up of entities identified as potential registrants.	
Determine needs and request additional human resources for registering creditors.	✓			The Office has conducted the registration of creditors as outlined in audit results above with minimal addition to staff. The registration process is ongoing and the Office continues to register new creditors.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
U - Implementation Underway  
N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.



**Office of Consumer Credit Commissioner**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 466 Office of Consumer Credit Commissioner</b>					
Develop a comprehensive plan that targets consumer education needs and determine method(s) for delivery.	✓			The Office has identified credit education as a goal in its Strategic Plan for 1997-2001. This goal targets consumer education needs and shows various methods for delivery such as presentations to consumer and credit groups, pamphlets, press releases, and a consumer help line. For fiscal year 1996, the Office reported 12,059 individuals received credit education.	
Develop useful performance measures and a tracking system to determine effectiveness of consumer education efforts.	✓			The Office has developed appropriate performance measures and is monitoring the effectiveness of consumer education efforts.	
Ensure all programs are documented, stored on the local area network (LAN), backed up and stored in a secure off-site facility.	✓			The Office has documented and stored all programs on the LAN at the Austin headquarters. Also, the programs are backed up on disk and stored at the Dallas field office.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
U - Implementation Underway  
N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Office of Consumer Credit Commissioner**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 466 Office of Consumer Credit Commissioner</b>					
Validate critical data fields in the database applications.	✓			Based on our test results, it appears that the Office performs reconciliations between databases to validate critical data fields. We traced the reconciliation process for February 1996. No exceptions were noted.	
Cancel source documents to indicate that data has been entered. Where possible, reconcile source documents to transactions entered in that batch.	✓			Source documents are being canceled to indicate that they have been entered into a database. The Office performs reconciliations between databases to validate critical data fields such as licenses and registrations.	
Ensure that one person is not responsible for performing all functions related to a task. Also ensure that the Information Resources Manager does not correct user errors in the databases or the computer system.	✓			The Office has segregated the duties of inputting, editing, and verifying data for the databases used in the Licensing and Registration Division. The new Information Resources Manager does not enter data or make corrections to databases and the computer system.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Office of Consumer Credit Commissioner**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 466 Office of Consumer Credit Commissioner</b>					
Ensure Information Resources Manager does not function as the programmer and the LAN administrator.	✓			The Office has separated the functions of the Information Resources Manager and the LAN Administrator. The Office has hired a programmer to maintain the databases.	
Develop and implement procedures for new applications and modifying existing applications. These procedures should include requirements for the following tasks: - Needs analysis - Design and development - Testing - Implementation - Post-implementation reviews - Documentation	✓			The Office has documented current procedures to be followed when developing and/or modifying programs in-house that include all steps noted in the recommendation.	

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**Office of Consumer Credit Commissioner**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 466 Office of Consumer Credit Commissioner</b>					
Maintain copies of the program source code on the LAN and store copies of the network backup tapes off-site.	✓			The Office has developed a system to maintain copies of programs, program source code, and program descriptions. These programs are stored on the LAN. The LAN is backed up on cassettes every day, and the cassettes are stored in a fireproof box. When the cassettes are full, information is transferred to tape and stored at the Texas State Library and Archives. The tapes are taken to the Library approximately every two weeks.	
Document applications developed in house.	✓			The Office has developed a system to maintain copies of programs, program source code, and program descriptions.	
Assign an individual to back-up the Information Resources Manager.	✓			The Office has designated a back-up for the Information Resources Manager.	

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**Office of Consumer Credit Commissioner**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, concluded

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 466 Office of Consumer Credit Commissioner</b>					
Develop and test a disaster recovery plan.	✓			The Office has developed and tested a disaster recovery plan. The plan appears to be adequately specific to enable Office personnel to get the LAN operational if it crashes. The plan was successfully tested in the summer of 1996.	
Retain registered creditor application source documents.	✓			Based on testing performed, it appears that the Office is retaining source documentation for creditor applications	

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Texas Funeral Service  
Commission

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# Texas Funeral Service Commission

## Detailed Issues and Recommendations

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### Overall Conclusion

Our follow-up review on the management control audit of the Texas Funeral Service Commission (Commission) indicates that the weaknesses over licensing, enforcement, and resource management that had been identified in the previous audit had not been corrected. Seven of the previous 26 recommendations had not been implemented by the Commission. Furthermore, we identified additional areas of concern during our follow-up review. Specifically, we noted:

- The Commission does not monitor or use repeat violation information to determine whether violators continue to commit the same offenses.
- The Commission is not in compliance with its enabling legislation (the Mortuary Law) with regard to reporting Commissioners' excessive absences from Commission meetings to the Office of the Governor. As a result of excessive absences by public members of the Commission, the public interest may not be protected.
- The Commission has not updated the state examinations for embalmers and funeral directors since 1995.

Section 1:

### The Commission Should Comply With the Mortuary Law

The Commission is not in compliance with its enabling legislation with regard to repeat violators and excessive absences by Commissioners from Commission meetings.

Section 1-A:

### The Commission Should Formally Monitor Repeat Violators

The Commission is not in compliance with its enabling legislation because it does not track licensee violations to determine if the same violation has been committed in the past by the licensee. The Mortuary Law, Section 6.IA, states that the Commission should be reviewing case files to determine if violators are repeat offenders. If so, the statute states that fines should be more severe than previous ones imposed for the same violations. By not tracking repeat violations by licensees, the Commission risks not protecting the citizens of Texas from inappropriate funeral service practices.



# Texas Funeral Service Commission

## Detailed Issues and Recommendations

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### Recommendation:

The Commission should comply with the Mortuary Law to ensure that the history of violations is reviewed prior to assessing administrative penalties. In addition, fines should be more severe than previous penalties assessed for the same violations.

### Management's Response:

*The legal counsel currently uses a "Complaint Summary" form when presenting cases to the CRC Committee. This form has a section entitled "History" which provides information on a defendant regarding past violations, fines, unpaid penalties, etc. This form was created prior to the latest CRC meeting held on May 13, 1997. The Complaint Review Committee members will use this information when assessing penalties. The Complaint Summary form will provide documentation that the history of past violations are considered by the CRC members. Beginning August of 1997, the commission will track and document licensee violations.*

### Section 1-B:

## **Public Commissioners' Absences From Commission Meetings Increase the Risk that Public Interests May Not Be Protected**

The Commission is not in compliance with the Mortuary Law with regard to Commissioners' duties and responsibilities. Specifically, we noted:

- The Commission has not reported excessive absences by a Commissioner from Commission meetings to the Office of the Governor. One public member of the Commission was absent for 7 of the 10 (70 percent) Commission meetings held in the 1996 calendar year. In addition, the other four public members did not attend 28 percent of the Commission meetings during that period. The Commission could not provide documentation to support that any of the absences by the Commission were excused.

Mortuary Law states that it is grounds for removal from the Commission if a Commissioner is absent for more than half of the regularly scheduled meetings and the absences are not excused by a majority vote. Furthermore, the law states that the Governor can replace a Commissioner if the Commissioner is not meeting his or her responsibilities.

- In contrast to the public members' absenteeism rate, only one industry member of the Commission was absent from 2 of the 10 meetings during the 1996 calendar year. All other industry members were present for each of the 10 meetings during that period. The oversight body of the Commission is composed of nine Commissioners, five of whom must be representative of the

## Texas Funeral Service Commission

### Detailed Issues and Recommendations

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general public and four of whom must be representative of the funeral service industry. For 5 of the 10 (50 percent) meetings during the 1996 calendar year, industry members outnumbered the public members. As a result, there is a risk that the public's interest may not be protected when rules are formulated and approved.

#### Recommendations:

We recommend that the Commission comply with the Mortuary Law by:

- Formally tracking and reporting Commissioner absences to the Chairman of the Commission; in case of excessive absences (more than half the scheduled meetings in a calendar year) the Chairman should notify the Office of the Governor that potential grounds for removal exist. Finally, the Commission should document absences excused by a majority vote of the Commission in its meeting minutes.
- Ensuring that the all public members of the Commission make every effort to attend and participate at Commission meetings on a regular basis

#### Management's Response:

*The commission shall use the meeting minutes as documentation for monitoring the attendance of all commissioners. If a commissioner is not present at roll call, the Chairman shall state for the record if the attendance is excused or if notice was given that the person could not attend. In the event that a commissioner has 3 consecutive absences or fails to attend more than half the scheduled meetings in a calendar year, the Executive Director shall provide a report to the Chairman. The Chairman shall notify the Office of the Governor in writing that potential grounds for removal exist. The commission shall inform the Commissioners of this policy at the next scheduled meeting to be held July 8, 1997.*

Section 2:

## The Commission Should Update the State Exams for Embalmers and Funeral Directors

The questions on the Commission's state examination for embalmers and funeral directors have not been updated or changed since 1995. As a result, examinees who retake the exam already know its contents. In fiscal year 1995, the pass rate for the state examination was 82 percent. In fiscal year 1996, the pass rate increased to 95 percent.

## Texas Funeral Service Commission

### Detailed Issues and Recommendations

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#### Recommendation:

The embalmers' and funeral directors' examinations should be updated and changed after each testing period. The Commission could consider using a test bank for questions so that each examinations' content is different.

#### Management's Response:

*The commission shall establish a committee, composed of public and industry members, that will revise the current state exam to create a system to ensure that a different exam is administered each testing period. The commission shall create a bank of test questions to be used on the exams. The commission plans to contact the 3 mortuary schools and ask that they submit questions that can be used for the bank. This process shall be completed by December 1997.*

**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
Develop and implement procedures to ensure that the required support for each type of license is obtained and documented appropriately before awarding licenses.	✓			Based on testing performed for funeral director, embalmer, and funeral establishment licenses, it appears that the Commission has developed and implemented the use of a checklist for the documents required before a funeral director, embalmer, or funeral home license is issued.	
The Commission should develop and implement procedures to review the outcome of previous inspections and investigations for each licensee prior to granting license renewals. This would ensure that licenses are not renewed for those whose license has been revoked.			✓	The Commission has not developed procedures to review the outcome of previous inspections and investigations for each licensee prior to granting license renewal. License renewals should not be awarded without ensuring that individuals and establishments are in compliance with existing Commission requirements. Licensees with current violations or deficiencies should be required to exhibit proof of corrective action taken before existing licenses are renewed.	<i>Beginning May 1997, a section has been added to the renewal forms (individual and establishment) which captures information pertaining to administrative penalties and compliance issues. This information will be verified during the renewal process.</i>

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U - Implementation Underway  
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**Texas Funeral Service Commission**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should establish standard administration and grading criteria for exit interviews.			✓	<p>The Commission has standardized exit interviews by developing a set of questions for funeral directors and embalmers. However, grading criteria for the questions is not documented. A "yes" or "no" for each question is circled to show that the provisional licensee answered the question correctly.</p> <p>The Commission performed 291 exit interviews during calendar year 1996. 48 of the 291 exit interviews were conducted by an employee of the Commission. 22 of the 48 exit interviews tested did not document the questions asked or if they were answered correctly or not. The Commission cannot ensure consistency in evaluating licensees unless the grading criteria is documented and used during exit interviews.</p>	<p><i>The evaluation tool in current use will be revised to include a rating system. The Commission will develop a written exam with case scenarios followed by various questions which can be asked. This will provide support for the exam and enable the Commission to document applicant responses and rate the exam. This shall be completed by December 1997.</i></p>

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**Texas Funeral Service Commission**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should develop and implement a plan to annually inspect each licensed funeral establishment as required by the Commission's enabling legislation.	✓			Based on testing performed for funeral home licenses, it appears that the Commission has developed and implemented a plan to inspect licensed funeral establishments annually. Factors such as repeat offenses, date of last inspection, and new openings determine when funeral establishments will be inspected.	
The Commission should develop and implement clear and thorough guidelines and criteria for use in conducting the inspections required of the agency.	✓			The Commission adopted common standards for funeral establishment inspections in November 1996. Our test results show that the Commission has revised the inspection checklist to include the common standards and is using it to conduct inspections.	
The Commission should develop and implement policies and procedures to ensure that all complaints filed with the agency are documented.	✓			The Commission has adequately documented the procedures to be followed when a complaint is received. Based on testing of the fiscal year 1997 complaint log, it appears that the procedures for documenting complaints are being followed.	

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should design and implement procedures to monitor and track cases under investigation. Cases should be prioritized to ensure that investigators are reviewing the most pressing cases first. In addition, the status of outstanding cases should be periodically reported to agency management.	✓			The Commission has implemented procedures to monitor and track cases under investigation. These procedures include management receiving reports and meeting with the investigator to discuss cases assigned and processed on a monthly basis.	
The Commission should develop and implement adequate controls to ensure that the decisions of the Commission are carried out as intended. For example, the Commission could appoint a committee to review executed agreements to ensure they agree to a decision made by the Commission.			✓	A review of pending administrative penalties assessed by the Commission on licensees, as of March 1997, showed that 43 of the 55 penalties (78 percent) totaling \$110,350 are outstanding. This represents 82 percent of the total fines assessed. According to the Commission's enabling legislation, a license should be automatically suspended for six months if the licensee fails to pay the fine or file for a rehearing within thirty days of notification.	<p><i>Beginning July 1997, the Chief Accountant shall provide a monthly report to the Legal Counsel and Executive Director regarding penalty collections and outstanding penalties. The Legal Counsel shall provide to the Executive Director a monthly report which lists potential suspensions and/or the status of any outstanding penalties that he has attempted to collect. The Executive Director shall report to the Commission at each meeting on</i></p> <p>(Continued on next page.)</p>

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
					<i>penalty collections. As of June 1997, the Legal Counsel has begun suspending licenses of violators.</i>
The Commission should enforce existing agency continuing education policies requiring complete and timely receipt of sponsor applications and fees prior to issuing sponsor approval.			✓	Six of the 25 continuing education courses tested were approved by the Commission even though the sponsors' information was received less than the required 30 days before the date of the course. According to Continuing Education Rules and Regulations, continuing education sponsor applications must be received 30 days prior to the date of the course.	<i>Currently, the staff are not authorized to approve any applications that do not meet the 30 day notice requirement and/or that was not submitted with a payment for the fee. The Executive Director is reviewing all approved submissions before releasing them.</i>
The Commission should develop specific criteria to use in approving continuing education providers.	✓			The Commission has developed criteria to use in approving continuing education providers. For example, continuing education courses must include topics related to the practice of mortuary science and the courses must be conducted by individuals considered experts in the subject matter.	

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should develop procedures to enforce the agency policy requiring the Commission to maintain accurate records to support continuing education participation.		✓		The Commission has revised its continuing education rules and regulations to be approved by the Commissioners. Licensees' continuing education hours are being monitored by the Commission. Testing of licensee continuing education hours revealed inconsistencies such as licensees not receiving credit for courses taken.	<i>Materials (case reports and certificates) are faxed or mailed to the agency to record cont. ed. hours. In November 1996, we begin filing these documents in the individuals' and sponsors' files accordingly. All files are not updated because a previous employee did not file the documents as required. The database is updated consistently.</i>
The Commission should develop policies and procedures to ensure consistent assessment of application fees for continuing education sponsors/programs.		✓		The Commission has developed procedures outlining the requirements for a continuing education sponsor program effective March 1, 1996. The procedures have been recently revised and are awaiting approval by the Commissioners. Our test results indicate that the Commission had adequate documentation to support fees received from 22 of the 25 sponsors (88 percent). The sponsor files did not contain fee receipts for the remaining 3 sponsors.	<i>As of February 1997 the Executive Director approves all cont. ed. courses. Applications are not submitted for approval unless fees have been paid and all required forms and documents submitted.</i>

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should design and implement policies and procedures requiring standardized documentation of the support being offered as a basis for personnel actions.			✓	The Executive Director had revised the existing evaluation form and used it to evaluate one employee as of May 1997. However, the Executive Director told us that she plans to revise the form further before performing all other evaluations.	<i>As of August 1997, all staff personnel files will have been updated to include a PAF (Personnel Action Form) and a revised Evaluation form. These two forms will support any and all changes in personnel status. As of May 1997, this process has begun.</i>
The Commission should develop and implement personnel policies and procedures to ensure the agency maintains adequate personnel files containing required employment related forms.	✓			The Commission has developed a comprehensive employee file checklist to ensure that personnel files contain required employment-related documentation. Based on our testing, it appears that the files contain all items on the checklist.	
The Commission should develop and implement policies and procedures to ensure that accurate and reliable time attendance records are maintained for each employee.	✓			Commission employees are using time cards and time sheets. Our test results showed that the Commission is maintaining accurate and reliable time attendance records.	

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should develop and implement objective, performance-based evaluation criteria to evaluate employee performance.			✓	The Executive Director had revised the existing evaluation form and used it to evaluate one employee as of May 1997. However, the Executive Director told us that she plans to revise the form further before performing all other evaluations.	<i>The existing evaluation tool lacked criteria and instructions for evaluating and rating employee job performance. Due to the nature of agency job duties, there are no set standards by which to measure an employee's performance. This was discovered during an employee evaluation in May 1997. As a result, the existing evaluation form has been replaced by one used by another state agency and is currently being modified to better measure and evaluate each individual employee's job duties. This process shall be complete by August 1997.</i>

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should establish controls to ensure that cash deposits are adequately supported and reconciled to the actual receipts of the agency and to the licenses issued. Furthermore, the Commission should ensure that cash receipts are deposited into the Treasury within the required three business days.			✓	The Commission has developed procedures for handling cash receipts. However, these procedures have not been communicated to the person preparing the deposits. Based on the testing performed, 4 of the 20 cash receipts (20 percent) were not deposited within the required three business days. Additionally, the Commission is not reconciling cash receipts to licenses issued. Cash receipts totaled \$644,152 for fiscal year 1996.	<i>Agency staff has met with staff of the Comptroller's treasury department and has request the use of a lockbox. Staff of both agencies will meet again on July 17, 1997 to begin the process of implementing the lockbox. This will relieve the agency of handling cash receipts of licensing fees. The lockbox should be implemented by October 1997. Beginning October 1997, the agency will reconcile cash receipts to the number of licenses issued on a monthly basis.</i>
The Commission should establish controls to ensure that cash disbursement duties are properly segregated so that the same employee cannot prepare, enter, approve, and process accounting transactions.		✓		The Commission has documented procedures that allow for adequate separation of duties for processing cash disbursements. However, implementation of the new procedures has just started and cannot be fully verified at this time.	

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**Texas Funeral Service Commission**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
					<i>Beginning March 1997, an Admin. Tech. has been setup with USAS access to release payment vouchers. That person has been trained to verify the data before releasing. The Executive Director approves all vouchers before they are entered.</i>
The Commission should perform periodic reconciliations of the fixed asset listing to the accounting records of the agency.		✓		The Commission has performed the annual inventory of fixed assets and submitted the annual Certification of Inventory to the Comptroller. In addition, the State Property Accounting System (SPA) has been updated. However, the Commission is not reconciling the SPA list's total dollar amount to its accounting records as fixed assets are added and deleted.	<i>As an internal user of State Property Accounting, the agency will use the SPA System as its internal personal property accounting system. The agency will reconcile its inventory on an annual basis as required by SPA. The agency purchases very few fixed assets that meet the inventory requirements and therefore an annual reconcile should be sufficient.</i>

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

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<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should develop an adequate understanding of its information needs. This understanding should be used to develop controls to ensure that the agency captures the relevant information it needs.		✓		The Commission has prepared documentation explaining functions and types of reports to be completed for inspections, investigations, and provisional licensing. Accounting and licensing information requirements are in the policies and procedures manual, which is currently being updated. The Commission's computer network is not currently capable of integrating the activities in licensing, investigations, inspections and accounting.	<i>The agency must change and upgrade its system to meet the Year 2000 requirements. The agency will contact the Department of Information Resources to evaluate and determine what changes are needed. At this time the agency will update its current system. This process should be in place by October 1997.</i>
The Commission should establish controls to ensure that adequate resources are allocated to evaluate and analyze operational information on an ongoing basis.	✓			Reports are currently being generated on a monthly basis for activities in licensing, investigations, inspections, and accounting.	

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**Texas Funeral Service Commission**  
Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

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	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should develop and implement policies and procedures to ensure that the information gathered by the agency to perform its functions is reported to agency management and oversight bodies in a complete, accurate, and timely fashion.	✓			The Executive Director receives monthly reports from licensing, inspections, investigations, and accounting. This information is summarized and shared with the Commissioners on a quarterly basis. A review of these reports showed that they appeared to be complete and accurate.	
The Commission should hold agency management and staff accountable for the timely reporting of relevant operational information.	✓			The Commissioners receive quarterly reports summarizing activities from licensing, inspections, investigations, and accounting.	
The Commission should establish controls to ensure that the information gathered by the agency to perform its functions is adequately secured and properly stored.	✓			Licensing, complaint, and continuing education files are kept in a file room that is secured after business hours. Computers are password protected and the passwords are changed every 30 days. The local area network (LAN) is backed up once a week on tape and is sent to the Texas State Library and Archives Commission.	

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**Texas Funeral Service Commission**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should develop and implement policies and procedures to ensure that the performance measure results of the agency are collected, maintained, and supported by reliable and accurate data.		✓		<p>Two of the 4 performance measures tested were inaccurate. The other two measures reviewed were certified accurate.</p> <p>For the measure "Number of New Facility Licenses Issued," 4 of the 33 (12 percent) licenses tested did not have the new license application or indication that the new license was issued during the reporting period in their files.</p> <p>For the measure "Number of Facility Licenses Renewed," the measure definition was not followed to calculate performance. In addition, our test results showed 3 of the 23 (13 percent) funeral homes did not have the support for renewal in their files.</p>	<p><i>Since this audit, the agency has updated all facility establishment files and have established new procedures for filing documents in those files. Copies of renewal forms, new applications, and fee payments are being recorded in each file. Documentation of the issuance of a license to a new establishment is not part of the establishment file and therefore, these files can not be used to determine which period a license was issued.</i></p>

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**Texas Funeral Service Commission**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, concluded

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	I	U	N		
<b>Agency 513 Texas Funeral Service Commission</b>					
The Commission should develop and implement adequate controls to ensure that the agency uses the measure definitions required by the Legislative Budget Board.		✓		For 3 of the 4 measures reviewed, the Commission is calculating the performance for the measures in accordance with the definition as submitted to the Legislative Budget Board (LBB).  The measure "Number of Facility Licenses Renewed" was not calculated in a manner consistent to the definition as submitted to the LBB. As support for the measure, the Commission used a list of all active funeral establishments as of January 9, 1997. This list included new licenses issued during the first and second quarters of fiscal year 1997.	<i>Beginning the second quarter of fiscal year 1997, the agency is using more accurate support for its calculation of these measures. Copies of a Licensing Control Log and License Number Log are being used to calculate and support performance measures. These logs include names, license number, and date of issuance for all licenses issued.</i>

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Texas Commission on  
Law Enforcement Officer  
Standards and Education

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# Texas Commission on Law Enforcement Officer Standards and Education

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
<p>The Commission should formulate and implement a plan to identify and correct all erroneous data in its automated system. In addition, the Commission should formulate and implement a plan to re-create data which is physically missing from the system. One approach to these plans could be to obtain employment and training information maintained by law enforcement agencies and compare this information to the data in the automated system.</p>	✓		<p>The Commission has implemented a new Licensing System as of March 1996. Data from the old Prime System was converted to the new Licensing System. In our test work on the accuracy of data entered in the new system since March 1996, no exceptions were noted.</p> <p>Management is in the process of detecting and correcting missing data or incorrect data transferred from the Prime System to the new system. This is occurring as management becomes aware of missing or bad data. Our examination verified that data exception reports identifying erroneous data are produced and reviewed by Management. These actions are improving the overall accuracy of data.</p>	<i>We concur.</i>	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
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## Texas Commission on Law Enforcement Officer Standards and Education

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
<p>The Commission should ensure that the data currently maintained in the automated system are accurate, complete, and up-to-date before this data is converted into a new automated system.</p>			✓	<p>Based upon the results of a Department of Information Resources audit, the Commission chose to not attempt to correct bad data before converting to a new system. The Department of Information Resources audit recommended in November 1994 that the Prime System be replaced as soon as possible, without first attempting to correct bad data. The Prime System was an unstable system and there was no assurance that corrections would process and/or transfer to the new system. Use of the new Licensing System began in March of 1996.</p>	<p><i>We concur.</i></p>

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## Texas Commission on Law Enforcement Officer Standards and Education

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
<p>Until the data is corrected, the Commission should develop new procedures for generating proficiency certificates. One alternative to the current procedure could be to require individuals to submit applications for these certificates. The Commission is already using this approach for one type of proficiency certificate, the Master Peace Officer Certificate.</p>	✓			<p>The original concern was that certificates might be issued to individuals who are unqualified, due to lack of training. The Commission has implemented a system of review to ensure that this does not happen. Monthly logs are maintained for the certificates issued. These logs are reconciled through the computer to determine if there is any false information. Minor corrections are revised immediately on line. If the correction is complex, the monthly logs are compared to the hard file and the correction is made.</p> <p>The application process has been implemented for all certificates except the Basic, Intermediate, and Advanced Peace</p> <p>(Continued on next page.)</p>	<p><i>We concur.</i></p>

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## Texas Commission on Law Enforcement Officer Standards and Education

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
				Officer certificates. Obtaining these specific certificates requires a substantial amount of training, most of which is obtained by attending academies. Attendance to these academies is documented on logs and is retained by the Commission. During our testing for data integrity, the training logs were examined for accuracy and were found to be complete.	
The Commission should place a high priority upon replacement of its minicomputer and the automated system. In addition, both Commission MIS staff and functional users should clearly identify significant design flaws in the current automated system and ensure that these flaws are not incorporated into a new system.	✓			The Commission replaced the Prime Minicomputer System in March 1996. Based on our interviews with the Commission's staff and our test work, MIS staff and functional users were involved in the design of the new system to prevent repeating design flaws in the old system.	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
The Commission should explore other sources of information in the State (such as systems maintained to local law enforcement agencies) in order to obtain the information necessary to monitor Commission rules which the current automated system does not provide.	✓			Recent legislation has made the local agencies responsible for maintaining training documentation. The Commission may access this information as needed. Further, the Commission has implemented a new system to meet its information and monitoring needs.	<i>We concur.</i>
Until the new system is purchased, the Commission should make arrangements to provide users with full access to the automated system during normal working hours. This may require MIS staff to work staggered schedules so that tape backups can be completed before 8:00 a.m.	✓			Users are allowed full access to the automated system during normal working hours. The current data backup process is performed nightly.	<i>We concur.</i>
Until a new automated system is implemented, the Commission should ensure that all possible on-line edit checks for data fields are reestablished.	✓			The new system has online editing routines built into the software. This was verified in our review of program documentation and observation of operations.	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
The Commission should consider reevaluating its approach to the development of the new automated system. Specifically, the Commission should determine whether alternatives exist to allow in-house development of the new system and whether these alternatives would allow a satisfactory system to be implemented in a more timely manner.	✓			The in-house approach used to develop new automated systems appears appropriate for the size of the Commission and its Information Resource Department.	<i>We concur.</i>
The Commission should ensure that a representative sample of the users of the new automated system has input into the design or acquisition of that system.	✓			Users were involved in design and testing of the new system.	<i>We concur.</i>
The Commission's MIS staff should establish a formal tracking system to monitor the progress of and hours consumed by MIS projects.	✓			We consider the current tracking systems in place appropriate for the size of the Commission.	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
The Commission's MIS staff should prepare regular, formal status reports regarding significant MIS projects and present these reports to the Executive Director and Assistant Director.	✓			We consider the status reporting procedures in place appropriate for the size of the Commission.	<i>We concur.</i>
The Commission should consider simplifying the organizational structure of its MIS staff so that a single cohesive team of MIS reports its progress to one manager.	✓			The two programmers now report to one Director.	<i>We concur.</i>
The Commission should establish formal policies for users of automated systems to follow when they wish to request special programming projects.	✓			The Commission has formal policies for users of automated systems to follow when they wish to request special programming projects. These policies have been documented and implemented.  (Continued on next page.)	<i>We concur.</i>

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Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
				In our test work, we obtained and reviewed logs which document special programming projects and the actions performed. We determined the formal process to be appropriate.	
The Commission should establish formal policies for review of proposed system changes and the analysis of the impact of those changes upon the entire automated system.	✓			<p>The Commission has documented policies requiring that proposed changes to information systems be reviewed. This assures that implemented changes are analyzed, feasible, and cost-effective.</p> <p>The Commission is planning to conduct an analysis of the Information Resources Department by a local Law Enforcement Commission.</p>	<i>We concur.</i>
The Commission should establish a formal policy regarding the use of computer equipment and printers.	✓			The Commission has written procedures regarding the use of computer equipment and printers. The procedures adequately address the protection of computer equipment.	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

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	I	U	N		
<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
The Commission should establish formal policies for assigning responsibility for access to program documentation, investigating access violations, and for security over the data processing facility.	✓			The Commission has written policies for security administration and passwords. Audit trail reports are available for review.	<i>We concur.</i>
The Commission should prepare a complete disaster recovery plan for its computing environment.	✓			The Commission has prepared a complete disaster recovery plan.	<i>We concur.</i>
The Commission should maintain a log to monitor use of program documentation, systems software, production data, on-line applications, and passwords. Invalid access attempts should be logged and investigated. Additionally, access to production data should be monitored.	✓			We consider the policies over access to program documentation, systems software, production data, on-line applications, and passwords appropriate for the size of the Commission and the Information Resources Department. Access to production data is logged and monitored.	<i>We concur.</i>
The Commission should assign personnel the responsibility of performing quality assurance with regard to significant systems development.	✓			The methods for ensuring that systems are properly tested and reviewed are appropriate for the size of the Commission and its Information Resources Department.	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
The Commission should review approval processes and ensure that procedures are in place to provide assurance that expenditures are properly approved and used as intended. Additionally, expenditures should not be approved solely by the Accounting Department.	✓			The Commission has strengthened its internal controls over expenditures by revising its procedures. The Accounting Department no longer has complete approval responsibility for expenditures. Division directors approve purchase requests; purchase vouchers are approved by an executive officer.	<i>We concur.</i>
Information in the internal accounting system should be updated to include all transactions to date to ensure that the Commission's annual financial report can be prepared in a timely manner. The internal accounting system should be reconciled to USAS on a monthly basis to ensure that information in both systems is accurate.	✓			The Commission discontinued use of its Micro Information Product System (MIP) as a separate and complete accounting system beginning in fiscal year 1995. Since the Commission changed its status with the Uniform Statewide Accounting System to that of "Internal Agency" no reconciliation is necessary.  (Continued on next page.)	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
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<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
				The Commission plans to resume use of MIP for reporting purposes. Information from USAS documents will be entered into MIP, rather than from source documents; therefore, MIP is not actually a separate accounting system. The Commission's approach of verifying the entries from USAS to MIP printouts, transaction by transaction, serves as an internal control.	
Consideration should be given to transferring responsibility for human resource functions out of the Accounting Department.	✓			The Commission transferred the human resource function out of the Accounting Department and into the Regulatory and Administrative Operations Division. The new Director of Human Resources maintains a Professional in Human Resources certification.	<i>We concur.</i>
Performance evaluations should be administered on an annual basis.	✓			Employees are receiving performance evaluations at least annually.	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

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	I	U	N		
<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
Merit raises should be supported with adequate documentation	✓			Merit raises are supported by performance evaluations. This serves as adequate documentation and is in compliance with the Commission's policies and procedures manual.	<i>We concur.</i>
Training needs should be identified. Training necessary for the performance of job duties should be provided in a cost-effective manner.	✓			The Commission is meeting the training needs in a cost-effective manner by utilizing training offered by state agencies such as the Department of Information Resources and the Department of Public Safety. The majority of the courses appear to address the computer literacy needs of staff while other courses are related to human resources or are management based.	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
Employee job descriptions should be updated to properly reflect tasks performed by employees.	✓			When the current Executive Director assumed his position, the job descriptions were revised. Subsequently, the State Auditor's Office performed a classification audit, the purpose of which was to review job descriptions and compare them with actual work performed. The results of this audit, dated April 10, 1995, stated that all full-time positions were appropriately classified.	<i>We concur.</i>
The Commission and the Peace Officers' Memorial Advisory committee should evaluate current efforts to determine how goals and statutory requirements for the Peace Officers' Memorial Advisory Committee will be achieved.	✓			The Commission has evaluated its efforts and is coming closer to its goals for the Texas Peace Officers' Memorial. This has been accomplished by revising the construction plans for the Memorial, thereby decreasing its cost by \$980,000. The base cost of the Memorial is now expected to be in the  (Continued on next page.)	<i>We concur.</i>

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## Texas Commission on Law Enforcement Officer Standards and Education

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, concluded

Recommendations	Implementation Status <sup>1</sup>			Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 407 Texas Commission on Law Enforcement Officer Standards and Education</b>					
				\$700,000 range. The commission has also decreased its expenditures related to fund raising by 40 percent between fiscal year 1994 and fiscal year 1996.	
Consideration should be given to making excess space available for use by other agencies, or to defray the cost of off-site storage. Eliminating off-site storage costs could generate \$1,680.00 in cost savings per year.	✓			The Commission moved its location and the current facility is in compliance with state allocation of space requirements. Additionally, an off-site storage leasing contract was terminated.	<i>We concur.</i>

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Board of Private Investigators  
and Private Security Agencies

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# Board of Private Investigators and Private Security Agencies

## Detailed Issues and Recommendations

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### Overall Conclusion

Our follow-up on the management control audit of the Board of Private Investigators and Private Security Agencies (Board) indicates that the weaknesses over financial, human resource, and policy management that were identified in the prior audit had not been corrected. Eight of the previous 22 recommendations had not been implemented by the Board. Moreover, we identified additional issues of concern during our follow-up review. These include:

- The Board falsified vouchers, fabricated supporting documentation, and incurred unreasonable expenses for Board meetings. The total value of falsified vouchers was \$31,571, and at least \$14,256 were unreasonable expenses for Board meetings. According to agency staff, the practice dates back to 1988.
- The Board was not in compliance with state purchasing requirements and the timely payment statute.
- The Board paid first-class fares without justifying the extra expense. The additional cost to the State for these first-class tickets was over \$1,700.

### Additional Issues and Recommendations

#### **The Board of Private Investigators and Private Security Agencies (Board) Falsified Vouchers, Fabricated Supporting Documentation, and Incurred Unreasonable Expense**

We identified 54 travel and purchase vouchers having an aggregate value of \$31,571 that were falsified. The vouchers pertain to charges for food, lodging, space rental, and other expenses relating to Board meetings conducted during fiscal years 1994 through 1996. The attached supporting documentation was fabricated on an agency computer. The Board's Chief of Administration stated that the practice dates back to 1988. The investigation was performed by the White Collar Crime Unit of the State Auditor's Office.

In some instances, vouchers were submitted for employees who did not attend a Board meeting or incur any expense. In other instances, employee signatures were forged on the vouchers and resulting warrants. All warrants appear to have been conveyed to and deposited by the hotels that hosted the meetings.

The Board improperly incurred at least \$17,609 in food expense from September 1993 through December 1996. At least \$14,256 of the expense exceeded the amount for which Board members and employees were entitled to reimbursement.

# Board of Private Investigators and Private Security Agencies

## Detailed Issues and Recommendations

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Some expenses appear unreasonable. For example:

- At one meeting attended by five Board officials, the Board incurred \$1,412 of food expense, including \$345 for 100 breakfast drinks.
- At another meeting attended by 14 Board members and employees, the Board incurred \$2,584 of food expense, including \$899 for coffee.
- At a third meeting at which 15 Board officials were in attendance, the Board incurred \$2,986 of food expense, including \$1,440 for 45 breakfasts and 45 lunches.
- The Board expended an average of \$809 per Board meeting to rent a sound system and executive chairs.

The travel provisions of the General Appropriations Act limit reimbursement of meal expenses to the actual cost incurred. Employee reimbursement may not exceed \$25 per day. Board member per diem is capped at \$80 per day for the aggregate cost of meals and lodging. The above-referenced expenses were direct billed to the Board by the hotels at which the meetings were conducted, thus circumventing the Comptroller of Public Accounts' requirement that food charges be incurred by individual travelers and submitted for reimbursement on individual travel vouchers.

This matter has been referred to the Travis County District Attorney's Office.

### Recommendation:

The Board should ensure that vouchers and supporting documentation are true, accurate, and correct in every detail. The Board should immediately cease incurring expenses for food that exceed the amounts properly reimbursable pursuant to the General Appropriations Act. The Board should incur only those expenses which are reasonable and necessary to the conduct of the Board meeting.

### Management's Response:

*The Board acknowledges that errors have been made in the planning, execution and payment for Board meetings. Due to our staffing limitations, we had not segregated the accounting duties sufficiently to identify or prevent the errors.*

*We will make the necessary changes in the way the agency's board meetings are planned and conducted. Only those expenses reasonable and necessary will be incurred. The acting chief accountant will very carefully review the travel and purchasing guidelines with all senior staff. Only expenses for those items falling within those guidelines will be contracted for, incurred or paid.*

# Board of Private Investigators and Private Security Agencies

## Detailed Issues and Recommendations

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*We commit that these problems will never reoccur!*

### The Board Should Follow State Purchasing and Contracting Requirements

The Board did not follow state purchasing requirements. Specifically:

- The Board did not follow state procedures for obtaining competitive bids for two training courses offered in fiscal years 1996 and 1997. The Board paid a total of \$39,700 to the individuals contracted for the two courses. It appears that the Board divided contracts and payments to individuals in amounts less than \$10,000 so that it would not have to comply with the requirements.

Texas Government Code, Chapter 2254, requires that bids should be obtained for consulting services contracts exceeding \$10,000. Section 2254.035 states that a state agency may not divide a consulting services contract into more than one contract to avoid the requirements of the statute.

The statute also requires that an agency notify the Legislative Budget Board and the Governor's Budget and Planning Office of its intention to contract with a private consultant and obtain a finding of fact from the Governor's Office that consulting services are necessary. The Board did not comply with these requirements.

- In addition, the contracts for the consultants were vague and poorly written. The contracts contained no deliverables or specifics about what each contractor was responsible for. The contracts were identical for the five consultants; however, the dollar amount of the contracts varied from \$2,500 to \$10,000.

#### Recommendations:

We recommend that the Board:

- Comply with state purchasing requirements in obtaining competitive bids for consulting services. In addition, the Board should notify the Legislative Budget Board and the Governor's Budget and Planning Office prior to contracting for consulting services and obtain a finding of fact that consulting services are necessary.
- Structure all contracts to be specific in regard to deliverables expected from contractors. Additionally, the contracts should include the basis for contract amounts.

# Board of Private Investigators and Private Security Agencies

## Detailed Issues and Recommendations

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### Management's Response:

*It was not the intent of the Board to avoid state purchasing requirements. The Board hired individuals and companies with a high degree of expertise in the courses being taught to facilitate course development and proper instruction in a short amount of time. Amounts paid to these individuals and companies were based on the amount of work product, materials, equipment and resources required to provide the service needed. Any future contracts will be structured specifically with regard to deliverables expected from contractors and will include the basis for contract amounts.*

*These training courses were not of a continuing nature and were carried out as the result of extraordinary circumstances placed on the Board by legislative mandate. The Board has implemented procedures to insure that consultant contracts will specify the services to be rendered and the details of deliverables within those services rendered. These procedures were started 2/97.*

*Any future projects which would require consulting contracts or multiple supplies or equipment purchases will be carefully evaluated to insure that all state purchasing guidelines and statutes are met. The agency will comply with all competitive bidding and contract notification requirements.*

### **We Question the Board's Use of First-Class Airfares**

The Board paid first-class airfare for three round-trip tickets and three one-way tickets without providing supporting documentation justifying the extra expense. Four of these tickets were used by the executive director and two were used by employees accompanying the executive director. The additional cost to the State for these first-class tickets was \$1,765. The Board was unable to provide us with supporting documentation that first-class seating was the only option available. The General Appropriations Act requires that travel be incurred at the lowest possible cost and that first-class airfare may be paid if it is the only available airfare.

### Recommendation:

We recommend the Board comply with the General Appropriations Act and agency staff travel at the lowest possible cost. In instances when first-class airline tickets are purchased, the Board should obtain documentation from the airline that first-class was the only available seating.

# Board of Private Investigators and Private Security Agencies

## Detailed Issues and Recommendations

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### Management's Response:

*Proper documentation was not maintained on 1st class air travel taken by the Executive Director and Board staff.*

*In 2/97 the Board staff reaffirmed a policy of lowest possible air fares for all employees and Board members and will maintain written documentation and detailed explanations and justification of the use of first class fares.*

### **The Board Should Pay Invoices in a Timely Manner**

The Board did not pay invoices in a timely manner. Of the 30 vouchers tested for the first quarter of fiscal year 1997, 15 were not paid in a timely manner. Ten of the 15 vouchers were paid after the invoice due date. Five of the 15 vouchers were not paid within 30 days. Texas Government Code, Chapter 2251, states that payment by a governmental entity is overdue on the 31st day after the receipt of the invoice. By not paying the bills in a timely manner, the Board may incur late fees and/or interest charges. Additionally, the lack of prompt payment may hinder the Board's ability to contract with vendors in the future.

### Recommendation:

We recommend that the Board develop and implement policies and procedures to ensure that its bills are paid in a timely manner.

### Management's Response:

*The Chief Accountant was not paying invoices in a timely manner.*

*This issue was addressed 2/97. Currently, all bills are being paid and will be current by 4/30/97. The Executive Director is to be apprised of any and all bills that are not paid timely and the reason why these bills have not been paid timely.*

### **The Board Should Implement a Time Keeping System Based on Time and Attendance Records**

The Board uses an exception-based time reporting system where each employee only reports leave taken. The payroll clerk assumes that each employee works a full work week if no leave slips are completed and turned in by the employees. There is no supervisory approval for leave taken by employees. This lack of control could result



## Board of Private Investigators and Private Security Agencies

### Detailed Issues and Recommendations

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in employees inaccurately reporting leave status and taking more leave than they are entitled to without detection.

#### Recommendation:

We recommend that the Board implement a positive time reporting system that requires employees to report hours worked and leave taken. The form used to report this time information should include a statement holding the employee responsible for the accuracy of the information.

#### Management's Response:

*In the past, the Board has used a negative method of time keeping for its employees. This method was based on the premise that all employees were assigned at least a forty hour work week and any time taken from that work week was subtracted through the use of leave slips. The leave slips allowed the employee to specify the reason for their absence from the job - sick leave, compensatory time or vacation. Provided the employee had accrued sufficient leave of the type requested and provided that necessary staffing requirements for agency operation were met, the employee was excused from work for the leave requested.*

*The Board now uses a positive time keeping system in which each employee, under supervisor scrutiny, is required to account for all hours actually worked. The administration of the positive time keeping is overseen by an employee who is not involved in the payroll process. This new procedure became effective on 3/1/97.*

# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should perform background checks using both national and state criminal history databases for screening new applicants and existing licensees.	✓			Based on the test results, it appears that the Board is performing both state (DPS) and federal (FBI) background checks on all applications received after September 1, 1996. The Board is performing federal background checks on existing licenses granted before September 1, 1996, when they come up for renewal.	
The evaluation should identify ways to expedite the investigative processes and decrease the backlog.			✓	The Board had a study performed by an external certified public accountant. The study did not identify any ways to expedite the investigative processes or decrease the backlog of investigations. The backlog for the first quarter of fiscal year 1997 was 54 percent (3,323 out of 6,130 cases).	<p><i>The Board will contact other occupational licensing agencies by 4/1/97, to obtain assistance in drafting procedures for reducing the Board's backlog of cases.</i></p> <p><i>The Board will diligently pursue a solution to the backlog until the backlog is effectively eliminated or reduced to a manageable size.</i></p> <p>(Continued on next page.)</p>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
					<i>The Investigations Division will set, with the Executive Director's approval, monthly, quarterly and annual targets for reducing and eliminating the backlog.</i>
Executive management and the Board should receive performance information on the status of cases from the point they are received to the time they are closed.		✓		The information is available; however, it is not aggregated in a user-friendly manner. The Board is considering changing its reports to make them more useful to management. The changes would also make external reporting more informative.	<p><i>By 4/1/97, the head of the Investigations Division will contact several medium to large occupational licensing agencies for assistance. Effective immediately, the Investigations Division will prepare a monthly report for the Executive Director and the Board summarizing the backlog and all other cases, the current month's results and prioritizing the investigative effort for the next month.</i></p> <p><i>To better report performance information, Automated Services Division has ordered software to create a</i></p> <p>(Continued on next page.)</p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
					<i>permanent record of Investigations Division data as reported monthly, quarterly and annually. Additionally, Automated Services Division is obtaining a database program that will make reporting more user friendly, efficient and timely. The division will set, with the Executive Director's approval, monthly, quarterly and annual targets for reducing and eliminating the backlog.</i>
Implement a formal disaster recovery plan that addresses daily backups and alternative operating site. The Board should evaluate the cost/benefit of contracting with its vendor or a state agency for emergency programming expertise.	✓			The Board has developed a disaster recovery plan that addresses system backup procedures and designates the alternative site to operate in case of a disaster.	
The Board should enhance its internal documentation of computer applications as a means of retaining more of the programmer's knowledge.	✓			The Board's Automated Information System User Guide contains a detailed description of each agency application and the procedures to operate each <i>application</i> .	

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## Board of Private Investigators and Private Security Agencies

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should establish a hierarchy of access that limits employees' ability to affect licensee data based on their job responsibility.		✓		The Board has established a hierarchy of computer access. However, some employees have unnecessary access to changing and renewing records of an individual.	<i>A review of employee need for licensee data change access was performed on 12/96 and only those employees with specific job responsibilities that require changing licensee data are able to access change functions within the agency's computer system.</i>
The Board should require users to change passwords at least semi-annually.	✓			All computer system users are required to change their password at least semi-annually.	
The Board should modify the application system to maintain a record of valid or invalid access attempts. This record should be reviewed daily. Additionally, consider disabling user accounts which commit access violations.			✓	The local area network (LAN) and the mainframe terminates users after repeated access violations. However, the Board has not modified the application system to maintain a record of valid or invalid access attempts. Purchasing the necessary software for this function is not cost effective. It appears that computer security at the Board is adequate to deter unauthorized access.  (Continued on next page.)	<i>Management's response was not requested.</i>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
				<b>Due to the cost analysis performed, it is no longer necessary for the Board to implement this recommendation.</b>	
The Board should implement a system monitoring application which terminates users after a specified period of inactivity.			✓	The Board has not implemented a system monitoring application for the mainframe which terminates users after a specified period of inactivity. Purchasing the software to administer this function is not cost effective. The mainframe will, however, terminate users at 5 p.m. weekdays and is not available to users on the weekends (unless otherwise arranged with the Director of Automated Services).  <b>Due to the cost analysis performed, it is no longer necessary for the Board to implement this recommendation.</b>	<i>Management's response was not requested.</i>
The Board should maintain detailed supporting documentation for performance measures that are reported at the end of each fiscal year to the LBB via ABEST.				This recommendation will be addressed in the fiscal year 1997 performance measures certification audit by the State Auditor's Office.	

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**Board of Private Investigators and Private Security Agencies**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should enforce the use of agency-developed open records request forms to ensure that the processing of the request and the assessment of associated fees are adequately supported	✓			The Board has developed procedures requiring the use of agency-developed open records request forms. The processing of open records requests and the assessment of associated fees are adequately supported.	
The Board should also ensure that correct fee amounts are calculated and charged for all open records requests in accordance with General Services Commission guidelines.	✓			Based on the test results, it appears that the Board is charging the correct fee amounts for open records requests.	
The Board should revise its records retention schedule to reflect what is actually "readily available" and the length of time records are to be retained.		✓		The records retention schedule is in the process of being revised. The schedule has yet to be approved internally or by the State Auditor's Office and the Texas State Library and Archives Commission.	<i>In 2/97, a new records manager was assigned in the Administration Division to assume the responsibility of records management. This person has nine years experience in records management and is overseeing the revision and implementation of a new records retention schedule. The new records retention schedule became effective 3/14/97.</i>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
<p>The Board should develop written procedures over Licensing, Examinations, Hearings, and Accounting.</p>	I	U	✓	<p>The Hearings Division has formal written procedures for all positions and functions performed. The Licensing, Investigations, and Accounting divisions have either not documented procedures or have procedures that are incomplete.</p> <p>The Licensing Division uses the Automated Information Services Guide, which describes the uses of the various computer screens used for licencing applications. The Licensing Division also has a flowchart of the license application process. The Investigations Division has a manual for investigators, but not for other personnel. There are no written procedures for the Accounting Division.</p>	<p><i>All divisions of the Board have staff flow charts. Program flow charts will be developed detailing each division's operation and work flow. The process has begun to produce comprehensive policy descriptions. Additionally, Administration, License and Investigations Divisions are preparing written descriptions and instructions for the job tasks within each respective divisions and will complete them by 9/1/97. Automated Services and Hearing Divisions have completed written descriptions and instructions which are now in use.</i></p> <p><i>The Board has initiated contacting similar sized agencies and is obtaining examples of procedure manuals for development within the Board's operation.</i></p> <p>(Continued on next page.)</p>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
					<i>As functions, policies and procedures of the agency change, the written procedures will be updated accordingly.</i>
The Board should consider including review and approval procedures for each agency process.			✓	There are no documented review and approval procedures for agency processes.	<p><i>All divisions of the Board have staff flow charts. Program flow charts will be developed detailing each division's operation and work flow. The process has begun to produce comprehensive policy descriptions. Additionally, Administration, License and Investigations Divisions are preparing written descriptions and instructions for the job tasks within each respective divisions and will complete them by 9/1/97. Automated Services and Hearing Divisions have completed written descriptions and instructions which are now in use.</i></p> <p>(Continued on next page.)</p>

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## Board of Private Investigators and Private Security Agencies

### Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
					<i>Careful reevaluation of purchasing, travel and accounting guidelines have resulted in the Board adopting the current policy of review and approval for even minor transactions by verifying that every transaction and every purchase meets state guidelines. This policy became effective 2/97.</i>
The Board should require documentation for receipt of goods and services rendered prior to paying disbursement vouchers.		✓		The Board has implemented procedures requiring documentation of the receipt of goods and services rendered prior to paying disbursement vouchers. However, in cases where the receipt of these goods and services is not documented, the person who approves the voucher verifies that the goods were received. This results in an inadequate separation of duties.	

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## Board of Private Investigators and Private Security Agencies

Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
					<p><i>On 3/17/97, the Board delegated the responsibility of receiving goods to specific individuals who will indicate on the receipt or invoice that the goods or services were actually received. These individuals have no responsibility for either purchasing or paying for the goods received. The signed invoices or receipts will be sent to Purchasing who will ensure that payment is made correctly and timely.</i></p> <p><i>Effective 2/97, persons responsible for preparing vouchers were instructed not to prepare any voucher without proper supporting documentation and proper approval.</i></p>

<p><u><sup>1</sup>Key for Implementation Status</u></p> <p>I - Recommendation Implemented          U - Implementation Underway          N - Recommendation Not Implemented</p>
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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
<p>Implement procedures to ensure that all cash receipts are accounted for, safeguarded, and deposited in compliance with the three-day rule.</p>	I	U	✓	<p>Cash receipts are not adequately safeguarded. Cash receipts are processed throughout the day and are left on desks in an unsecured room. Total cash receipts for fiscal year 1996 amounted to over \$5 million.</p> <p>In addition, there are no documented procedures to ensure that cash receipts are accounted for, safeguarded, or deposited in compliance with the three-day rule.</p>	<p><i>Policies and procedures were implemented in 2/97 to insure the safeguarded handling of and accounting for all cash receipts (cash, checks, cashier's checks). Each cash handling employee has been issued a "Steelmaster" lockable cash box with key into which all cash receipts received by that employee are placed and secured when not being worked on. Each cash handling employee has a key to a 42" lockable cashbox storage cabinet into which the cashboxes are placed for secured storage under lock and key when not in use. Deposits are separated by batch and are being closely scrutinized and supervised to insure compliance with the three-day rule.</i></p> <p><i>Daily deposits have been made to the Treasury; however, the deposits were not routinely entered</i></p> <p>(Continued on next page.)</p>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
					<i>into USAS. The result has been that the deposits were not properly recorded in the Comptroller's records. This problem is being corrected.</i>
Segregate the duties over the various accounting functions. One employee should be responsible for the processing of accounting records and another employee should be responsible for review and reconciliations. Additionally, the person preparing payroll should not be the person maintaining the time keeping records.			✓	<p>There is a lack of separation of duties over data entry and reconciliation of payroll and time keeping. One employee performs data authorization, data entry, verification, correction, payroll preparation, and time keeping function for the entire agency.</p> <p>Fixed asset management at the Board is not adequately segregated. The agency's property manager for fixed assets tags them as they are received, updates, and reconciles them to the Statewide Property Accounting System (SPA).</p>	<p><i>All accounting functions and their review and reconciliation have been segregated and assigned to separate individuals effective 3/97, none of whom has a duality of responsibility with respect to these functions. All time keeping responsibilities were reassigned effective 3/1/97, to a non-accounting division employee who then reports the information through documentation to the payroll officer. Additionally, fixed asset management procedures have been updated to require a proper accounting of inventory and reporting thereof to the Statewide Property Accounting System and in 2/97, a new Property Manager has been appointed.</i></p>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
Establish management review and approval procedures for releasing accounting transactions that update the statewide accounting systems.			✓	<p>The Board has not developed procedures for the review and approval of statewide accounting system transactions.</p> <p>There is a lack of separation of duties over the processing of accounting transactions. One employee is responsible for reviewing, approving, and entering accounting transactions that update the statewide accounting system.</p>	<i>Effective 2/97, all accounting functions that are entered into the statewide accounting system were segregated for purposes of review and reconciliation and are assigned to separate individuals, none of whom has a duality of responsibility with respect to these functions.</i>
Implement control procedures that require periodic re-evaluation of duties and responsibilities of all positions to assess the accuracy of each employee's FLSA status determinations. In addition, the Board should maintain documentation of these assessments and ensure that the determinations are communicated to all employees.			✓	<p>The Board has not performed Fair Labor Standards Act (FLSA) status checks to determine exempt or non-exempt status of employees.</p>	<i>The Board has appointed a new FLSA compliance coordinator effective 2/97. A review of all employee positions has been conducted and determinations have been made with regard to each employee's status as exempt or non-exempt under the guidelines of the FLSA. Each employee's status review will be documented and each employee will be informed as to their FLSA status and the requirements of that status no later than 4/15/97.</i>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
<p>Implement controls to ensure that periodic performance evaluations should be based on specific, objective, performance-based evaluation criteria. The Board should also maintain adequate supporting documentation in employee files to support personnel actions. Additionally, the Board should maintain records of the selection process, including the reasons why an applicant is or is not selected. The Board should consider using a rating scale or matrix to record the selection process.</p>			<p style="text-align: center;">✓</p>	<p>It appears that employees under the five division chiefs have had recent performance evaluations. However, four of the five division chiefs have not had a performance evaluation in five years.</p> <p>The only supporting documentation in the personnel files for personnel actions is the performance evaluation.</p> <p>There are no records of the selection process in the personnel files, nor is there a rating scale or matrix recording the selection process.</p> <p>The Executive Director has not received a formal written evaluation from the Board.</p>	<p><i>Effective 9/96, The Board has implemented new procedures that enable an accurate evaluation of employee performance based on specific, objective, performance based criteria. All employees, including division chiefs, will be evaluated annually. These evaluations will be completed no later than 4/30/97.</i></p> <p><i>The Board staff will contact similar sized agencies for assistance in developing an evaluation criteria for the Executive Director to be used by the Board. The E.D. will be evaluated by the Board no later than 8/97.</i></p> <p><i>Procedures are being implemented to insure that proper supporting documentation is contained in the personnel files relating to personnel actions. A rating system is being put</i></p> <p>(Continued on next page.)</p>

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# Board of Private Investigators and Private Security Agencies

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
					<i>in place to record actions within the employee selection process. These items will be accomplished by 6/1/97.</i>
Provide written notice to its applicants/licenseses that failure to repay a guaranteed student loan is grounds for denying an application or not renewing one's license.	✓			The Board provides written notice to applicants/licenseses that failure to repay a guaranteed student loan is grounds for denying an application or not renewing one's license.	
Ensure all applicants and licensees in default on Texas Guaranteed Student Loan Corporation (TGSLC) loans are denied a license or renewal.	✓			Based on the test results, it appears that the Board is ensuring that all applicants and licensees in default on Texas Guaranteed Student Loan Corporation (TGSLC) loans are denied a license or renewal. On a quarterly  (Continued on next page.)	

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**Board of Private Investigators and Private Security Agencies**  
 Summarized Audit Findings, Follow-Up Audit Results,  
 and Management's Responses, concluded

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
				basis, the Board is informed by TGSLC of any applicants or licensees who are in default of a guaranteed student loan via a computer tape. The Board sends a letter to the individuals who are currently licensed or awaiting licensure, stating that they will not be able to renew a license or issue a license unless proof of corrective action has been taken.	

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Texas Low-Level Radioactive  
Waste Disposal Authority

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**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
<b>Contractor Payments</b>			
<p>Controls over payments to contractors for their expenses are not sufficient to ensure that the Authority only pays for appropriate charges.</p> <p>A review of the contract for outside legal counsel identified \$1,177 in questioned costs. These costs are included in Table A.</p>	<p>The Authority requires detailed billings, but does not request supporting documentation (such as invoices and receipts) to verify that contractor billings were accurate and included only allowable and appropriate charges for expenses and travel.</p> <p>We requested the supporting documentation for the contract with Bickerstaff, Heath, and Smiley, the firm representing the Authority during the hearings process. This is the only contract evaluated at this level of detail. We identified some charges for expenses and travel which seemed excessive, unallowable, or inappropriate. The Authority's internal control system, which includes four levels of review and approval, did not identify these inappropriate charges. The specific charges related to the law firm are included in Table A.</p> <p>By not adequately reviewing contractor charges, the Authority may pay for charges that are not authorized or critical to the performance of the contract.</p>	<p>We recommend the Authority obtain supporting documentation to ensure that contractors' charges for expenses and travel are appropriate.</p> <p>We recommend the Authority prepare a document itemizing the expenses that will be paid, specifying that all charges must be supported by invoices or receipts above a pre-established amount, requiring prior written approval for out-of-state travel or when more than one attorney proposes to travel or attend a hearing.</p>	<p><i>All contracts require expenses to be either "reasonable" or "allowable."</i></p> <p><i>The Authority's existing payment procedures require documentation to ensure that charges are reasonable. In addition, all vouchers are reviewed by the cognizant project manager, the Authority's accountant, a Deputy General Manager and the General Manager to ensure accuracy and appropriateness before payment.</i></p> <p><i>For future vouchers, contractors will be required to provide additional documentation such as travel vouchers and detailed expense receipts for such things as copy costs, meals and rentals.</i></p> <p><i>The Authority agrees that a detailed guidance document setting out allowable charges could be useful.</i></p>

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature, continued

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
<b>Bidding/Rebidding Contracts</b>			
<p>The Authority's process for selecting contractors has weaknesses regarding the contract for legal counsel.</p> <p>Since 1994, Bickerstaff, Heath, and Smiley has billed the Authority for a total of \$1,546,969. A contract amendment for an additional \$450,000 is pending the Attorney General's approval.</p>	<p>Although a formal request for proposals for the legal counsel is not required under Texas Government Code 2254.024 (a), we noted the following weaknesses in the process for selecting legal counsel to assist in the hearings:</p> <p>(1) The selection process was informal, and included only a verbal request for written proposals</p> <p>(2) There were no written criteria to evaluate potential legal counsel contractors, and no grading or point system was used to ensure that proposals were ranked consistently.</p> <p>(3) The formal proposals submitted were not retained in accordance with the Authority's records-retention schedule.</p> <p>Formal evaluation procedures that are well-documented will allow an agency to select and justify the best contractor for a specific job.</p>	<p>We recommend the Authority:</p> <p>(1) Develop a more formal process for selecting legal counsel.</p> <p>(2) Develop and use written criteria and a grading or point system to evaluate each potential legal counsel.</p> <p>(3) Retain the formal proposals submitted in accordance with the Authority's records-retention schedule.</p>	<p><i>The process used to retain outside counsel was explained to the Attorney General's staff prior to hiring outside counsel. They concurred that a formal process with publication of RFP's in the Texas Register was not necessary.</i></p> <p><i>In mid-1994, the Authority's general counsel contacted several law firms that were known to provide the kind of legal services needed. Other firms heard of these contacts and notified the general counsel of their interest. A total of six firms asked to be considered.</i></p> <p><i>The general counsel verbally told each firm that written proposals would be required, and outlined the requirements as listed in the Attorney General's instructions. After all proposals had been received, the general counsel and the attorney member of the board of directors reviewed each proposal and recommended one firm to the board.</i></p>

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature, continued

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
We also noted strengths in the selection process for engineering contracts.	<p>Strengths identified in the selection of several engineering contractors include:</p> <p>(1) A request-for-proposal process for the first contract with each contractor</p> <p>(2) Written criteria and a grading or point system to evaluate each proposal</p> <p>(3) Retaining a file of respondents, proposals, and the evaluation spreadsheets supporting the decision to hire a specific contractor</p>		<i>For future legal counsel contracts, we will follow our existing formal process for requesting, evaluating, and retaining proposals.</i>
<b>Contract Language</b>			
Opportunities exist for the Authority to improve the language in contracts in order to clarify expectations of deliverables and the costs to be reimbursed.	<p>A review of contracts and the language contained in them noted the following weaknesses:</p> <p>(1) Some contracts lacked sufficient detail about deliverables to allow us to determine what product was expected and the deadline for delivery. One contract for developing a Human Resource Information System did not clearly define what parts of the system were to be developed. As a result, the Authority later contracted with some of the same individuals, better defining the services required, in a separate contract.</p>	We recommend the Authority clearly define all deliverables and costs to be reimbursed.	<i>All Authority contracts contain a section entitled "statement of services" that sets out enumerated expectations of the work. Although contracts do not always set out a deadline for the completion of specific deliverables, they do contain a section titled "term of contract" that sets out a specific start and end date for performance of the whole contract. Large contracts that have complex performance requirements also contain a work plan that is either attached to the contract or developed as the first part of the work to be performed. This workplan sets out specific standards for performance, costs and time lines.</i>

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature, continued

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
	<p>(2) Although the contracts include a period of performance, none of the large dollar contracts reviewed required specific deliverables on specific time lines.</p> <p>(3) Some of the language in the contracts is not specific enough to clarify what costs will be reimbursed. Authority management has indicated that the contractors have been informed as to which charges will be reimbursed and which ones will not.</p> <p>In addition, a CPA firm conducting an internal audit in 1996 identified the need to clarify whether the contract included expenses. After consultation with the Attorney General's Office, the Authority subsequently amended the contract.</p> <p>Clearly outlining expectations of each contractor and what charges will be reimbursed enhances the accountability on the contractor's part and assists the agency in making sure it is only paying for requested services.</p>		<p><i>We agree that more detailed language in contracts would help the contractor and the Authority understand the specific deliverables and time lines for performance.</i></p>

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature, continued

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
<b>Contract with a Former Employee</b>			
The contract with a former employee did not violate the state law prohibiting contracts with former state employees within 12 months of leaving state service.	A review of the contract with the former employee indicates that he retired from the Authority on March 31, 1995, and was awarded a contract in June 1996, 14 months after leaving the Authority. Therefore, the state law was not violated. Through March 1997, the former employee has been awarded contracts totaling \$25,800 but has only been paid \$3,994. The current contract of \$9,900 will expire on August 31, 1997. If necessary, a new contract must then be executed for fiscal year 1998.	No recommendation.	<i>No response.</i>
<b>Comparison of Costs to Other States</b>			
The costs incurred by Texas in selecting a site and obtaining a draft license are less than other states in somewhat similar situations.	In general, it is very difficult to compare costs to other states. The main reasons are that in each state, there is a different process for obtaining a license (hearings process or not), different costs for site characterization (based on terrain), and different costs for constructing the facility (based on whether the facility is above or below ground and the type of container the waste is stored in).  Detailed information on the costs associated with the projects in other states is included in Table B.	No recommendation.	<i>The Authority has completed the characterization and licensing of the Faskin Ranch site for 50% of the costs incurred by other states at the same stage of development.</i>



**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature, continued

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
<b>Time Lines for Licensing and Construction</b>			
<p>It has taken longer than expected to obtain a draft license for the construction of the low-level radioactive waste disposal facility. This appears to have been the responsibility of both the Authority and the Texas Natural Resource Conservation Commission (Commission). Now that the hearings process has begun, the schedule will be established by the State Office of Administrative Hearings.</p>	<p>The original license application was submitted by the Authority in March 1992. The Authority concedes that some sections of the application were only briefly addressed. The main reason for the "incomplete submission" was to avoid the possibility of the Federal Government levying penalties for violating the Low-Level Radioactive Waste Policy Act. In the Authority's opinion, the license application was administratively complete in December 1993. In the Commission's opinion, the license application was administratively complete on May 12, 1995. The technical review was completed on March 29, 1996.</p> <p>The draft license was released and public notice issued in April 1996. The administrative law judges of the State Office of Administrative Hearings issued the schedule for the remaining phases of the hearings process in January 1997. Both the Authority and the Commission anticipate the State Office of Administrative Hearing's recommendation on the issuance or denial of the license in August 1998. If the Commission's Commissioners issue the license, construction will begin immediately afterwards.</p> <p>(Continued on next page.)</p>	<p>No recommendation.</p>	<p><i>The issuance of a license for a low-level radioactive waste site is a complex and lengthy process that is set out in the statutes and required of all applicants. A more efficient and less costly process that protects the public's right to intervene should be pursued, but such changes will require Legislative intervention.</i></p> <p><i>The Texas license application was prepared and reviewed at half the cost and in a much shorter time than in any other state at the same level of development.</i></p>

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature, continued

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
	A detailed list of the Authority's estimated milestones for the completion of the facility are included in Table C.		
<b>Allocation of Costs</b>			
	<p>The method for allocating costs to the licensing and construction strategies appears reasonable. The Authority allocated the costs associated with each contract based on the type of work being performed.</p> <p>The tasks involved in obtaining a draft license may also be required for construction of the facility. Since the "construction" phase of the project benefits from these activities, the construction strategy was charged for some of these costs.</p>	No recommendation.	<i>No response.</i>
<b>Status of the Compact</b>			
	<p>In 1993, Texas formed a compact with Maine and Vermont and agreed to accept waste from those states at a proposed disposal site in Hudspeth County. Maine and Vermont will be required to help pay for operation of the facility through disposal fees, and each will contribute \$25 million to the State of Texas for the project.</p> <p>In an April 4, 1997, conversation, the Austin Director of the Texas Office of</p> <p>(Continued on next page.)</p>	No recommendation.	<i>No response.</i>

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature, continued

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
	<p>State-Federal Relations believes the bill has a good chance of becoming law during the current Congressional session. He said that the Senate version has been approved by the Senate Judiciary Committee. The House Bill is in the Energy and Power Subcommittee of the Commerce Committee.</p>		
<b>Peer Reviews</b>			
	<p>Peer reviews give assurance to both the Authority and those relying on the Authority that the work meets the highest standards of the profession. At the Authority, this process is accomplished when contract engineers not actively involved in the preparation of the design review the work performed by the designers. Other external reviews are also performed through the other contractors. The work of one contractor often depends on the work of another contractor.</p> <p>Many of the consultants working for the Authority also have published the results of their work in professional journals and have presented papers at national and international meetings. The Authority encourages this practice because it provides peer review and analysis by world-recognized experts and leads to a better overall work product.</p>	No recommendation.	<i>The Authority considers external peer review by world-class scientists and engineers to be essential to the assurance that the technical work is correct and adequate to protect the public health and safety.</i>

**Texas Low-Level Radioactive Waste Disposal Authority**  
 Special Report to the Legislature, concluded

Issue	Discussion	Recommendations	Management's Responses
<b>Agency 526 Texas Low-Level Radioactive Waste Disposal Authority</b>			
<b>Deck the Walls Payments</b>			
	<p>The payments made to Deck the Walls for the framing and mounting of a U.S. map and ozone-layer map appear reasonable.</p> <p>The Authority utilized this historically underutilized business contractor (at the time of the contract) to frame a 58 by 38 inch map of the United States and a 14 by 11 inch ozone-layer map. The Authority spent \$200.25 on these two frames in December 1993.</p>	No recommendation.	<i>No response.</i>

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature

**Table A: Questioned Costs**

The review of documentation to support legal counsel billings identified the following questioned costs:	
Activity	Amount
In-town working lunch attended by two Authority employees (11/1/95)	\$30.20
Gratuity (2/9/96)	3.60
Bar Services (5/13/96)	46.00
Bar Services (6/25/96)	32.35
Meals and gratuities (10/22/96)	88.11
Beer (\$2.75) and gratuities (\$7.25) (10/23/96)	10.00
Bread from Sweetish Hill Bakery (12/10/96)	42.11
Luncheon meeting (12/10/96)	83.00
Luncheon meeting with Authority personnel (12/9/96)	44.00
Luncheon meeting (second working luncheon charged for same day; 12/9/96)	40.00
In-town lunch (12/5/96)	35.00
In-town lunch (12/11/96)	41.00
In-town lunch (12/13/96)	34.57
In-town lunch (12/20/96)	34.86
Hotel rooms for two nights for two consultants (2/20/96-2/22/96)	612.00
<b>TOTAL</b>	<b>\$1,176.80</b>

*Authority comments on legal counsel charges:*

*In-town working lunches: These costs are appropriate as they pertain to meals for out-of-town experts. The Authority will determine which portions of meals were billed for Authority personnel and these costs will be reimbursed to the state. Please note that the Auditor has identified a total amount for working lunches of \$387.83 that are deemed questionable. The Authority estimates that 65-75% of the charges were correctly charged to the agency.*

*12/9/96 luncheon meeting - second working luncheon for the same day: According to the legal counsel, the date of the expense report is in error. The \$40 expense is for a working lunch that occurred during the previous week on 12/4/96. The two lunches actually occurred on separate days.*

## Texas Low-Level Radioactive Waste Disposal Authority

### Special Report to the Legislature

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*12/10/96 bread from Sweetish Hill Bakery: This was breakfast food for a working session that started early in the morning. Only a portion of the bill is inappropriate because these costs pertain to out-of-town experts.*

*Bar services: Outside legal counsel has examined the invoices that appear to include bar services and has determined that the 5/13/96 bill of \$46 was in Mexico City for an in-room self service refrigerator that contained soft drinks, water, and snacks. No alcoholic beverages were involved. The 6/25/95 charges of \$32.35 and the 10/23/96 charge of \$10.00 did include alcoholic beverages and were erroneously charged to the Authority. Only a small portion of the latter charge was for alcoholic beverages. These charges will be reimbursed to the Authority.*

*The 10/22/96 meal of \$88.11 is reasonable because it was an out-of-town meal for several outside counsel and agency personnel. We do acknowledge that reimbursement for the Authority staff's meals should have been requested through the Comptroller.*

*The 2/20/96-2/22/96 hotel rooms for two nights for two consultants were for Austin hotels where charges can often run more than \$100 per night.*

*Procedures to strengthen controls over legal expenses have been discussed with outside counsel and are being implemented.*

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature

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**Table B: Cost Comparisons**

Life Cycle Costs	California	North Carolina	Nebraska	Average	Texas	Texas Percentage
Site Selection and Licensing	\$68,459,059	\$136,000,000	\$105,160,000	\$103,206,353	\$46,397,566 <sup>1</sup>	45%
Construction <sup>2</sup>	12,000,000	77,000,000	49,160,000	46,053,333	35,000,000	76%
Closure <sup>2</sup>	21,000,000	38,500,000	49,000,000	36,166,667	13,900,000	38%
Long-term Monitoring <sup>2</sup>	40,000,000	20,000,000	23,000,000	27,666,667	6,000,000	22%
<b>TOTAL</b>	<b>\$141,459,059</b>	<b>\$271,500,000</b>	<b>\$226,320,000</b>	<b>\$213,093,020</b>	<b>\$101,297,566</b>	<b>48%</b>

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<sup>1</sup> The amounts for Texas include the \$9,529,941 in costs associated with the two previously proposed sites.

<sup>2</sup> Estimated Costs

**Texas Low-Level Radioactive Waste Disposal Authority**  
Special Report to the Legislature

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**Table C: Authority's Time Line for Completion of Facility**

Completion of depositions of applicant and aligned parties .....	August 1997
Evidentiary hearing begins .....	January 1998
Completion of administrative hearing .....	March 1998
Begin Construction Bidding .....	June 1998
SOAH Proposal for Decision .....	July 1998
Final licensing decision by Commissioners .....	August 1998
Issuance of license .....	October 1998
Construction begins .....	December 1998
Facility opens .....	July 1999



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# Appendices

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## Appendix 1

# Objectives, Scope, and Methodology

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### Objectives

Our audit objective was to conduct financial analyses and assessments of management control systems at 13 small agencies that enable them to meet legislative mandates and deliver intended benefits. An additional objective was to certify the accuracy of selected performance measures by examining the data and reviewing controls over the measures being reported.

### Scope

Our reviews of the 13 small agencies included:

- Determining whether each audited entity was managing or using resources, including state funds, personnel, property, and equipment, in an economical and efficient manner
- Evaluating the causes of inefficiencies or uneconomical practices, including inadequacies in management information systems, internal and administrative procedures, organizational structure, and the use and allocation of resources
- Determining whether financial, program, and statistical reports of the audited entities contained useful data and were fairly presented

The follow-up reviews of the six small agencies included determining whether previous recommendations were implemented. The follow-up reviews of two agencies (Texas Funeral Service Commission and Board of Private Investigators and Private Security Agencies) were expanded to include specific management control issues that came to our attention.

The review at the Low-Level Radioactive Waste Disposal Authority was limited to answering specific questions of the House Appropriations Committee.

### Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, and analyzing and evaluating the results against established criteria.

## Appendix 1

# Objectives, Scope, and Methodology

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Information collected to accomplish the audit objective included the following:

- Interviews with management and staff
- Documentary evidence, including:
  - State and federal statutes, regulations, and rules
  - Agency documents, plans, policies, procedures, manuals, reports, memoranda, minutes, and other written communication
  - Various audit and management reports from both internal and external sources
  - Agency-generated financial data and reports

Procedures and tests conducted:

- Reviewed policies and procedures to ensure alignment of statutory functions, appropriations, and mission in the strategic plan
- Reviewed compliance with applicable laws and regulations in areas of funding and timekeeping
- Reviewed policies and procedures over fixed assets, cash receipts and disbursements, and payroll.
- Reviewed policies and procedures over human resource activity, including performance appraisal and compliance with selected provisions of the Fair Labor Standards Act (FLSA)
- Reviewed compliance with Legislative Budget Board directives for selected performance measures.
- Reviewed policies and procedures for the management information systems

Analytical techniques used:

- Financial review and analysis
- Process review and analysis
- Content analysis
- Trend analysis

## Appendix 1

# Objectives, Scope, and Methodology

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### Criteria used:

- Statutory requirements
- General and specific criteria developed by the State Auditor's Office Inventory of Accountability Systems Project
- State Auditor's Office Management Control Methodology and Models Manual
- Process criteria from the Comptroller of Public Accounts, the Department of Information Resources, and the General Services Commission

### **Other Information**

Fieldwork and follow-up work on the 19 small agency audits were conducted from August 1996 to July 1997. All reviews were conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

No significant instances of noncompliance with these standards occurred.

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

- Vandita Mehta-Zachariah (Project Manager)
- Susan Page Driver, CPA, (Assistant Project Manager)
- Michael C. Apperley
- Tom Brannon, CPA
- Curtis Caraway
- Anthony Claire, MBA
- David Conner, CISA
- J. Michelle Cook, CPA
- Mark Dan, CPA
- John Randall Davis, CPA
- Dean Duan, CISA

Appendix 1  
**Objectives, Scope, and Methodology**

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- John M. Friou, CFE
- Kevin M. Hannigan
- Whitney Hutson-Kutz, CPA
- Jim McGathy, CPA
- Nicole J. Merridith-Marrero, MBA
- Deborah S. Mitchell, CPA
- Angie Morales
- Michael C. O'Connor, CPA
- Ann E. Paul, MPA
- Deborah Powers, CPA
- Robert Rodney, CPA
- Beverly J. Schulke, CPA
- Ryan G. Simpson
- Jim Stolp
- Terri Wallace
- Marlin W. Wallenburg, CIA
- Fran Carr, CPA (Quality Control Reviewer)
- Bernie Gilmore, CPA (Audit Manager)
- Randy Townsend, CPA (Audit Manager)
- Deborah Kerr, Ph.D. (Audit Director)

Appendix 2  
**Summary of Audit Recommendations by Agency**

Information Management <sup>1</sup>	Resource Management <sup>2</sup>	Policy Management <sup>3</sup>	Performance Management <sup>4</sup>
<b><i>Advisory Commission on State Emergency Communications</i></b>			
		The Commission Should Follow Policies and Procedures Relating to Expenditures for the Poison Control Program	Performance measures not tested
<b><i>Texas Aerospace Commission</i></b>			
The Commission Should Improve Controls Over Management Information Systems	The Commission Had Serious Weaknesses Over Its Interagency Contracts  The Commission Should Properly Account For License Plate Revenues	The Commission Should Strengthen Controls Over Performance Appraisal System	Performance measures not tested
<b><i>Alternative Fuels Council</i></b>			
		The Council Should Improve Its Grant Monitoring Process  The Council Should Develop an Employee Performance Appraisal Process	Develop and Implement Performance Measures for the Council



Appendix 2  
**Summary of Audit Recommendations by Agency**

Information Management <sup>1</sup>	Resource Management <sup>2</sup>	Policy Management <sup>3</sup>	Performance Management <sup>4</sup>
<b><i>Texas Animal Health Commission</i></b>			
<p>Establish Protective Measures Over Automated Systems</p> <p>Improve Access Controls Over Internal Automated Systems</p> <p>Enhance Controls Over State Automated Systems</p> <p>Redefine the System Development Life Cycle Process</p>	<p>Establish Controls To Correct Significant Weaknesses Over Contracting</p> <p>Improve Controls Over Cash Receipts</p>	<p>Ensure the Proper Handling of Employee Complaints</p> <p>Improve Controls Over Compensation Processes and Compliance With FLSA Requirements</p> <p>Enhance Controls Over the Recruitment and Selection Process</p> <p>Strengthen Controls Over the Employee Appraisal System</p> <p>Establish Financial Policies and Procedures</p> <p>Improve Policies and Procedures Over the Budgeting Process</p>	<p>Strengthen Controls Over the Reporting of Performance Measures Data</p> <p>Two performance measures tested:</p> <ul style="list-style-type: none"> <li>- One performance measure "Certified With Qualifications"</li> <li>- One performance measure "Factors Prevented Certification"</li> </ul>
<b><i>Texas School for the Blind and Visually Impaired</i></b>			
<p>Review Controls Over Accounting Data Security</p>	<p>Correct Significant Weaknesses Over Fixed Assets</p> <p>Implement Standard Accounting Controls Over Cash</p>		<p>Two performance were measures tested; both were "Certified with Qualifications"</p>

Appendix 2  
**Summary of Audit Recommendations by Agency**

Information Management <sup>1</sup>	Resource Management <sup>2</sup>	Policy Management <sup>3</sup>	Performance Management <sup>4</sup>
<i>Texas Commission for the Deaf and Hard of Hearing</i>			
Enhance Controls Over Management Information Systems	<p>The Commission Should Establish a Plan of Site Visits to Provide Oversight of Councils</p> <p>The Commission Should Improve the Process for Selecting Contractors</p> <p>Enhance Controls Over Cash Receipts</p> <p>Enhance Controls Over Fixed Assets</p>	<p>The Commission Should Devise a Formula for Allocating Funds to the Councils and a Payment Rate for Interpreters</p> <p>The Commission Should Use Budget Reports to Manage Programs</p> <p>Improve Controls Over the Licensing and Examinations Process</p>	<p>Two performance measures tested:</p> <ul style="list-style-type: none"> <li>- One performance measure "Certified"</li> <li>- One performance measure "Inaccurate"</li> </ul>
<i>State Board of Dental Examiners</i>			
		<p>Policies and Procedures Related to Case Resolution and Notifying Complainants Should Be Enforced</p> <p>Document Policies and Procedures Over Licensing and Examinations</p> <p>The Board Should Comply With Requirements for Licensing Agencies</p> <p>Enhance Controls Over Examinations</p> <p>Update Human Resources Policies and Procedures</p>	<p>Two performance measures tested:</p> <ul style="list-style-type: none"> <li>- One performance measure "Certified With Qualifications"</li> <li>- One performance measure "Inaccurate"</li> </ul>

Appendix 2  
**Summary of Audit Recommendations by Agency**

Information Management <sup>1</sup>	Resource Management <sup>2</sup>	Policy Management <sup>3</sup>	Performance Management <sup>4</sup>
<i>Texas Commission on Fire Protection</i>			
<p>Strengthen Controls Over Management Information Systems</p>	<p>Expenditures Were Incorrectly Charged Against the Grants and Loans Program</p> <p>Controls Over Commissioners' Travel Vouchers Should Be Improved</p> <p>Control Procedures Over Requisitions Were Not Always Followed</p> <p>The Commission Should Strengthen Controls Over The Budgeting Process</p>	<p>The Commission Does Not Have a Formal Policy Relating To Employees Telecommuting</p> <p>The Commission Should Improve Controls Over Its Performance Appraisal System</p> <p>The Commission Should Improve Its Overall Plan for Training</p>	<p>Two performance measures tested:</p> <p>-Both "Certified with Qualifications"</p>
<i>Texas Commission on Human Rights</i>			
<p>Develop a Formal Disaster Recovery Plan</p>	<p>Improve Controls Over Cash Receipts</p> <p>Use Travel Funds More Efficiently</p> <p>Strengthen Controls Over Fixed Assets</p> <p>Separate Responsibilities for Entering and Releasing Transactions in the Uniform Statewide Accounting System</p> <p>Improve Controls Over Historically Underutilized Businesses</p>	<p>Improve Procedures Over Fair Labor Standards Act (FLSA) Administration</p> <p>Revise Evaluation Procedures</p> <p>Ensure That All Staff Receive Adequate Career Development Training</p> <p>Revise Grievance Procedures and Track Employee Grievances and Disciplinary Actions</p> <p>Update Employee Personnel Files</p>	<p>Performance measures not tested</p>

Appendix 2  
**Summary of Audit Recommendations by Agency**

Information Management <sup>1</sup>	Resource Management <sup>2</sup>	Policy Management <sup>3</sup>	Performance Management <sup>4</sup>
<b><i>Texas State Library and Archives Commission</i></b>			
Increase Security Over Access to the Uniform Statewide Accounting System	Implement Controls Over Copy Cards  Improve Controls Over Multi-Component Fixed Assets	Update Policies and Procedures in Genealogy Services Department	Performance measures not tested
<b><i>State Pension Review Board</i></b>			
	Independence Requirements Should Be Added to Pension Review Board Contracts	Develop and Implement an Ethics Policy for Employees and Members of the Board of Directors	One performance measure tested; it was "Inaccurate"
<b><i>Texas Public Finance Authority</i></b> - No significant issues identified			
			Three performance measures tested; all "Certified"
<b><i>Texas Veterans Commission</i></b>			
	Develop Controls Over Medical Reimbursements to Compensate for Weaknesses at the Federal Level	The Commission Should Strengthen Controls Over Human Resource Management  Require Written Receipts Before Preparing Purchase Vouchers	Three performance measures tested:  - One performance measure "Certified"  - Two performance measures "Certified with Qualifications"

<sup>1</sup> Information management addresses the risk that an activity will fail to meet expected results because management information is not communicated or used effectively by decision makers.

<sup>2</sup> Resource management addresses the risk that an activity will fail to achieve expected results or will not establish and maintain an environment that protects against scandals and financial disaster because resources are not managed efficiently and effectively.

<sup>3</sup> Policy management addresses the risk that an activity will fail to deliver expected results because changes in the management environment or changed customer expectations cause instability in operations or resources are not efficiently used or effectively controlled.

<sup>4</sup> Performance management addresses the risk that an activity will fail to deliver expected results because it does not use performance information effectively to manage its operations.

Appendix 3  
**Summary of Results of Follow-Up Reviews**

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Agency	Implementation Status <sup>1</sup>			Total
	I <sup>3</sup>	U	N	
Advisory Commission on State Emergency Communications (911 Program)	9	1	2	12
Texas Board of Architectural Examiners	10	1	0	11
Office of Consumer Credit Commissioner	16	0	0	16
Texas Funeral Service Commissioner	12	7	7	26
Commission on Law Enforcement Officer Standards and Education	26	2	1	29
Board of Private Investigators and Private Security Agencies	8	4	10	22
<b>Totals</b>	<b>81</b>	<b>15</b>	<b>20</b>	<b>116</b>
<b>Percentages</b>	<b>70%</b>	<b>13%</b>	<b>17%</b>	<b>100%</b>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

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<sup>3</sup> The recommendation has been implemented or corrective action is not needed.

Appendix 4  
**Summary of Performance Measure Results by Agency**

Agency Name	Certification Results *				Total
	C	CQ	FPC	I	
Texas Animal Health Commission		1	1		2
Texas School for the Blind and Visually Impaired		2			2
Texas Commission for the Deaf and Hard of Hearing	1			1	2
Texas State Board of Dental Examiners		1		1	2
Texas Commission on Fire Protection		2			2
Texas State Pension Review Board				1	1
Texas Public Finance Authority	3				3
Texas Veterans Commission	1	2			3
<b>Totals (All Agencies)</b>	<b>5</b>	<b>8</b>	<b>1</b>	<b>3</b>	<b>17</b>
<b>Percentages</b>	<b>29%</b>	<b>47%</b>	<b>6%</b>	<b>18%</b>	<b>100%</b>

Performance measures were not tested at the following agencies:

- Advisory Commission on State Emergency Communications
- Texas Aerospace Commission
- Texas Alternative Fuels Council
- Texas Commission on Human Rights
- Texas State Library and Archives Commission

<b>* Key for Certification Results</b>	
C	- Certified
CQ	- Certified with Qualifications
FPC	- Factors Prevented Certification
I	- Inaccurate

Appendix 5

**1996 Appropriations and Full-Time Equivalent Employees by Agency**

Agency	1996 Appropriations	1996 Full-Time Equivalent Employees
Advisory Commission on State Emergency Communication	\$ 20,303,483	21.0
Texas Aerospace Commission	202,813	1.5
Alternative Fuels Council	0 <sup>1</sup>	2.0
Texas Animal Health Commission	12,290,679	223.0
Texas Board of Architectural Examiners	1,372,223	17.0
School for the Blind and Visually Impaired	11,664,546	380.0
Office of Consumer Credit Commissioner	1,674,038	30.0
Texas Commission for the Deaf and Hard of Hearing	1,179,065	9.0
State Board of Dental Examiners	1,188,588	19.0
Texas Commission on Fire Protection	6,993,894	140.0
Texas Funeral Service Commission	504,881	10.0
Texas Commission on Human Rights	2,039,119	46.0
Texas Commission on Law Enforcement Officer Standards and Education	5,314,321	38.0
Texas State Library and Archives Commission	20,398,451	194.0
Low-Level Radioactive Waste Disposal Authority	35,759,018	16.0
State Pension Review Board	282,335	5.0
Board of Private Investigators and Private Security Agencies	1,968,940	41.0
Texas Public Finance Authority	253,974,580	15.0
Texas Veterans Commission	2,837,059	80.0
<b>Totals</b>	<b>\$379,948,033</b>	<b>1,288.0</b>

<sup>1</sup> The Council had \$4 million from unspent appropriated oil overcharges from the 1994/1995 biennium for use in the 1996/1997 biennium.