



A Legislative Summary Document Regarding Texas Building and Procurement Commission

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State Auditor's Observations

Senate Bill 311 (77th Legislature) created the Texas Building and Procurement Commission (TBPC) and abolished the General Services Commission. This transition resulted in significant changes to almost every aspect of TBPC's operations. TBPC revised its budget structure, mission, philosophy, goals, objectives, strategies, and performance measures to align them with current statutory responsibilities. The revised budget structure becomes effective in the fiscal year 2004–2005 budget cycle.

TBPC's methods for estimating revenues and expenditures reported in its Legislative Appropriations Request (LAR) appear to accurately present TBPC's budgetary position and results.

TBPC has unexpended budget authority for the Building Design/Construction Management and the Deferred Maintenance strategies. These strategies do not have any amounts on the fiscal year 2003 agency operating budget because no new funds will be allocated to them in fiscal year 2003. Funds appropriated in prior years will be brought forward to complete the projects and used solely for capital expenditures. According to management, TBPC budgeted these funds in its LAR and capital budget.

TBPC has not actively managed the contract between the State and the vendor bank that provides procurement cards. The lack of contract management has cost the State money, but omissions in the contract make it impossible to determine how much.

Prepared for the 78th Legislature
by the State Auditor's Office

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This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

Texas Building and Procurement Commission

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Financial Profile

Expenditure Estimates

For the 2004–2005 Legislative Appropriations Request (LAR), the Texas Building and Procurement Commission (TBPC) estimated expenditures by requiring each division to justify its budgeted expenditures. This methodology essentially built the budget from the ground up rather than building on prior expenditure history. This approach is reasonable because TBPC's operations have changed significantly since the last LAR was prepared, and prior expenditure information could not be used to form the basis for the current LAR.

In addition, TBPC revised its indirect cost allocation methodology. Instead of using only the number of full-time equivalent employees staffed by divisions, TBPC is incorporating other factors such as budgeted dollars or operating requirements. This methodology should take into account differences in risk for each division. For example, the construction division has a higher risk of incurring expenses related to workers' compensation. As a result of the updated allocation methodologies, the construction division bears a higher proportion of workers' compensation costs. This methodology results in a better allocation of costs to activity.

Reconciliations to USAS

TBPC reconciles its internal accounting system to the Uniform Statewide Accounting System (USAS) monthly. Management has reasonably explained nearly \$5.4 million in reconciling items noted in its June 2002 reconciliations, but it had not resolved them by August 2002. All of the \$5.4 million in reconciling items, except for \$259,439, are reconciling items from prior agency administration. These items include misclassified fund codes from prior years and timing differences. TBPC indicates that these differences should not affect budgeting due to the nature of the unreconciled items. Also, TBPC did not base the budget requests on prior year financial data, which reduces or eliminates any adverse effect these outstanding reconciling items would have on budgeting. However, the lack of timeliness in resolving the reconciling items reduces the reconciliation's effectiveness as a control.

Expenditures by Category

The table below shows TBPC's expenditures by Comptroller of Public Accounts category as reported by TBPC in USAS for appropriation years 2000, 2001, and 2002. This data has not been audited. Many of the significant fluctuations are the result of the transfer of the State's telecommunications systems to another agency, which became effective at the beginning of fiscal year 2002. Trends prepared across several years are not comparable from an organizational perspective but are provided for informational purposes only.

Expenditures by Comptroller USAS Category Groups			
Comptroller USAS Category Group	Appropriation Year 2000	Appropriation Year 2001	Appropriation Year 2002
Interfund Transfers/Other (Note A)	\$ 87,742,520	\$ 71,241,642	\$ 51,854,349
Communications and Utilities (Note A)	78,365,694	66,148,036	12,643,419
Capital Outlay (Note A)	48,012,321	31,534,864	7,381,087
Salaries and Wages ^a (Note B)	23,345,431	22,956,118	19,485,413
Repairs and Maintenance	6,141,149	6,522,834	6,315,835
Employee Benefits	5,116,031	5,176,093	4,928,207
Other Expenditures	4,880,853	6,330,679	3,984,559
Professional Services and Fees	4,114,149	5,036,871	2,598,791
Supplies and Materials	3,518,452	3,587,451	2,548,449

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Expenditures by Comptroller USAS Category Groups			
Comptroller USAS Category Group	Appropriation Year 2000	Appropriation Year 2001	Appropriation Year 2002
Cost of Goods Sold	3,261,445	3,424,351	2,816,483
Rentals and Leases	641,565	684,410	539,238
Printing and Reproduction	384,167	302,457	420,206
Travel	222,078	170,125	90,542
Claims and Judgments	49,254	6,542	5,153
Interest/Prompt Payment Penalties	47,095	41,452	6,226
Total Expenditures (Note C)	\$ 265,842,204	\$ 223,163,925	\$ 115,617,957
<small>^a The amounts shown here for Salaries and Wages will not agree with the Salary Expenditures in the Workforce Summary Document prepared by the State Classification Office (SCO) because the USAS Salaries and Wages category does not include certain object codes that SCO considers employee compensation. These include performance awards and employee recognition awards. Source: USAS - All funds including appropriated, unappropriated, and non-appropriated as of November 30, 2002.</small>			

Note A – For appropriation year 2002, communications and utilities expenditures were reduced when, in the restructuring of TBPC, responsibility for the State’s telecommunications and electronic procurement infrastructures was transferred away from TBPC. This change also affected Interfund Transfers and Capital Outlay. Interfund transfers may include transactions and adjustments made by the Comptroller of Public Accounts, as well as transfers between funds within TBPC and transfers out to other state agencies.

Note B – For appropriation year 2002, the reduction in salaries and wages occurred because by the end of the third quarter of fiscal year 2002, TBPC reduced its workforce by approximately 55 employees as a result of organizational changes.

Note C – For appropriation years 2000 and 2001, the expenditures presented represent activity of the General Services Commission, which was abolished by Senate Bill 311 (77th Legislature, General Services Commission’s Sunset Bill) and replaced by the TBPC.

Key Findings from Previous Audits and Reviews January 1, 2001–December 31, 2002

A Review of Implementation of Sunset Advisory Commission Management Actions at 13 State Agencies

(Report No. 02-067, August 2002)

The Texas Building and Procurement Commission partially implemented 8 of 12 management actions. The four remaining management actions were fully implemented.

An Audit Report on the Accuracy of the Fiscal Year 2001 Balance Sheets for the State’s Telecommunications Systems

(Report No. 02-045, May 2002)

The General Services Commission (GSC) provided inaccurate balance sheets for the State’s telecommunications systems to the Department of Information Resources (DIR) when these systems were transferred from GSC to DIR on September 1, 2001. The total net combined equity of the Texas Agency

Status of Audit Recommendations as of November 30, 2002 (unaudited)	
TBPC has reported the following:	
Implemented	2
Total recommendations	2

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Network (TEX-AN) and the Capitol Complex Telephone System (CCTS) was understated by at least \$5.3 million on GSC's fiscal year 2001 internal balance sheets for these two systems. GSC was abolished effective September 1, 2001, and the newly created Texas Building and Procurement Commission (TBPC) subsequently assumed most of its responsibilities.

These errors unnecessarily complicated the transfer of the management of TEX-AN and CCTS to DIR. Therefore, DIR's ability to make timely management decisions regarding TEX-AN and CCTS was limited because of uncertainty about the accuracy of the financial data GSC provided.

The errors in the TEX-AN balance sheet also impaired GSC's ability to manage this program as a cost recovery program. The adjusted TEX-AN balance sheet shows that GSC financed TEX-AN's reported loss of \$9.5 million in fiscal year 2001 largely by spending cash left over from fiscal year 2000. Project delays, poor vendor performance, and GSC management decisions associated with an upgrade to TEX-AN telecommunications systems were major contributing factors in TEX-AN's fiscal year 2001 loss. TEX-AN still had a net equity (the amount by which assets exceed liabilities) of \$2.1 million at the end of fiscal year 2001.

An Audit Report on Procurement Card Processes and Controls

(Report No. 02-022, February 2002)

The Texas Building and Procurement Commission (TBPC) has not actively managed the contract between the State and the vendor bank that provides procurement cards. The lack of contract management has cost the State money, but omissions in the contract make it impossible to determine how much.

TBPC did not maintain a copy of the complete procurement card contract or track contract changes. The parts of the contract that we were able to review lacked sufficient detail to hold the vendor accountable. Because TBPC did not manage the contract well, the vendor may have given state agencies and universities misleading information and may have underpaid or delayed paying the annual rebate due to the State. TBPC has been working to address these problems. A new contract will be negotiated this year.

TBPC could help agencies develop and implement effective controls over their procurement card programs. TBPC should also use available data on procurement card purchases to improve its volume buying ability.

Status of Audit Recommendations as of November 30, 2002 (unaudited)	
TBPC has reported the following:	
Partially implemented	2
Has other explanatory information	1
Total recommendations	3

Performance Management

Performance Indicators Used by Management

The Texas Building and Procurement Commission (TBPC) uses the Legislative Budget Board's (LBB) measures to determine whether it is achieving its mission. However, TBPC's goals, strategies, and performance measures do not align with its current statutory responsibilities. As a result, TBPC has revised its entire budget structure, including its mission, philosophy, goals, objectives, strategies, and performance measures. The revised budget structure becomes effective in the fiscal year 2004–2005 budget cycle.

Of the 27 LBB performance measures in effect for fiscal year 2001, TBPC did not meet the targets for 25 (93 percent). TBPC asserts that the performance measures used by previous management did not provide sufficient information to determine whether TBPC was meeting legislative expectations. As a result, TBPC has revised the performance measures. The new measures will not be in effect until the 2004–2005 biennium.

Two existing goals will be replaced with five goals that more closely reflect TBPC's primary statutory responsibilities. The new measures developed by TBPC have been approved by the LBB and the Governor's Office of Budget and Planning.

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TBPC added 31 measures, deleted 29 measures, and revised 9 measures for the 2004–2005 biennium. Twenty-eight measures did not change and will continue to be used by TBPC.

Estimating Performance Targets

We could not assess the reliability of performance targets reported in TBPC’s Legislative Appropriations Request (LAR) because TBPC is implementing new policies to address its recent organizational structure overhaul.

TBPC is in the process of developing an infrastructure to provide performance information. TBPC indicates that it will use several factors to estimate performance targets, including past performance, industry standards, and statutory responsibilities. However, as of August 2002, TBPC was still finalizing benchmarks for the 2004–2005 LAR.

All levels of management at TBPC are involved in setting, tracking, and monitoring the performance measures. Management monitors the measures and provides the results to its Board at quarterly meetings. TBPC uses monthly status reports, quarterly performance measure reports, and monthly financial statements to track and monitor its activities.

Most Recent Performance Measure Certification

Fiscal Year 1998–Fiscal Year 2003

The results of *An Audit on Performance Measures at 12 State Entities–Fiscal Year 2001* (Report No. 01-036, August 2001) for this entity are summarized below:

Period	Goal/Strategy		Measure	Certification Results
2000	A	Goods and Services	Percent of Goods and Services Purchased from Term Contracts	Certified with Qualification
2000	A	Goods and Services	Price of TEXAN Data Services as Percent of Industry Average	Inaccurate
2000	A	Goods and Services	Estimated Costs Avoided for Customers by Utilization of Federal Personal Surplus Property	Certified
2000	A.2.1	Custodial Services	Average Cost per Square Foot Provided Services	Factors Prevented Certification
2001 Q1	A.2.1	Custodial Services	Average Cost per Square Foot Provided Services	Factors Prevented Certification
2000	B	Facilities Management	Dollar Value of Deferred Maintenance Projects Remaining	Certified with Qualification
2000	B.1.1	Facilities Operations	Cost per Square Foot of All Building Activities (Except Utilities)	Certified
2001 Q1	B.1.1	Facilities Operations	Cost per Square Foot of All Building Activities (Except Utilities)	Certified
2000	B.2.1	Deferred Maintenance	Dollar Value of Projects Completed (in Millions)	Certified with Qualification
2001 Q1	B.2.1	Deferred Maintenance	Dollar Value of Projects Completed (in Millions)	Certified with Qualification
Total Measures Certified Without Qualification^a				3/10 (30%)
Data Reliability Percentage (Certified and Certified with Qualification)				7/10 (70%)
^a The percentage of unqualified certifications is presented because it is used in determining an entity’s eligibility for performance rewards as established in the General Appropriations Act [77th Legislature, Article IX, Sec. 6.31(d)(2)].				

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Category	Definition
Certified	Reported performance is accurate within +/-5 percent, and controls appear adequate to ensure accurate collection and reporting of performance data.
Certified with Qualification	Reported performance is within +/-5 percent, but the controls over data collection and reporting are not adequate to ensure the continued accuracy of performance data.
Factors Prevented Certification	Actual performance cannot be determined because of inadequate controls and insufficient documentation.
Inaccurate	Reported performance is not within +/-5 percent of actual performance, or there is an error rate of at least 5 percent in the supporting documentation.
Not Applicable	A justifiable reason exists for not reporting performance.

Quality Assurance Team Reviews

Conducted by the Legislative Budget Board and State Auditor's Office

Completed Projects

Quality Assurance Team Annual Report – January 2003

The Texas Building and Procurement Commission (TBPC) completed the Network Infrastructure Upgrade project at a cost of \$1,120,122 on August 31, 2002. The initial budget was \$1,018,000, and the initial completion date was August 31, 2000.

Canceled Projects

Quality Assurance Team Annual Report – January 2003

TBPC canceled the Data Warehouse project at a total cost of \$0.

Ongoing Projects

Quality Assurance Team Annual Report – January 2003

Construction Management System (CMS) — In March 2001, TBPC began developing a system to manage construction projects and building maintenance. Changes in project scope and selection of a commercial software product reduced project costs. Current expenditures are \$696,564.

Statewide Vehicle Management System (SVMS) — In July 2000, TBPC started this project to procure an electronic fleet management system, as recommended by the Council on Competitive Government. The project was 100 percent complete as of October 2002; however, the Quality Assurance Team has not yet verified this status. An original component of this project included an Internet application that was not purchased in favor of workstation deployment at a lower cost. Current expenditures for this project are \$911,900.

Project	Function	Initial Budget	Current Budget	Budget Change	Initial End Date	Current End Date	Time Change
CMS	Integrate information	\$1,640,000	\$900,000	(\$740,000)	08/31/01	12/31/02 ^a	16 months
SVMS	Procure fleet management system	\$1,361,414	\$911,900	(\$449,514)	08/31/01	10/31/02 ^b	14 months

^a The end date was extended to 1/31/03 after the Quality Assurance Team Annual Report was released.

^b Confirmation of project completion is pending.

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Disaster Preparedness

We gathered information from the Texas Building and Procurement Commission (TBPC) on plans in place to provide continued operations and services in the event of a disaster. Standard audit criteria for disaster preparedness have not been established; therefore, we are not evaluating TBPC's plans. Our objective was only to provide the information reported by TBPC.

TBPC has a business continuity plan that addresses the restoration of operations after a disruption in service. This plan is currently being revised to reflect changes in the organization following the abolishment of the General Services Commission.

TBPC has outsourced its disaster recovery plan to Northrop Grumman Technical Services, Inc., under a contract administered by the Department of Information Resources. The contract appears to address all facets of TBPC's operations.

Information System Vulnerability Assessments

The State Auditor's Office (SAO) and/or the Department of Information Resources performed one or more information system vulnerability assessments at the Texas Building and Procurement Commission between January 2000 and November 2002. Detailed results of this work are confidential under Texas Government Code, Section 2054.077(c). The SAO's Legislative Summary Document titled "Information System Vulnerability Assessments" provides general information about the results of information system vulnerability assessments.

Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 177,031	\$ 135,380	\$ 85,835
Out-of-State Travel	45,052	34,745	4,665
Foreign Travel	0	0	0
Other Travel Costs	(5)	0	42
Total Travel Expenditures	\$ 222,078	\$ 170,125	\$ 90,542
Limit on Travel Expenditures (Cap)	282,910	282,910	45,052 ^a
Expenditures in Excess of Cap	\$ 0	\$ 0	\$ 0

^a Caps apply to total travel in appropriation years 2000 and 2001, but caps apply only to out-of-state travel and foreign travel in appropriation year 2002. Caps, calculated by the Comptroller of Public Accounts, have been adjusted for any increases requested by TBPC and approved by the Legislative Budget Board in accordance with the General Appropriations Act.

Source: Uniform Statewide Accounting System (USAS) as of November 30, 2002. Amounts are subject to change as agencies continue to record additional expenditures or adjustments.