



A Legislative Summary Document Regarding
Comptroller of Public Accounts

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

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SAO No. 03-308

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.

Comptroller of Public Accounts

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Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

An Audit Report on the State Treasury and Its Trust Company, the Texas Tomorrow Fund, and TexPool

(Report No. 02-007, October 2001)

Treasury Operations (Treasury), a division within the Office of the Comptroller of Public Accounts (Comptroller), handles more than \$1 trillion in financial transactions and manages more than \$25 billion in investments directly and through its wholly owned Texas Treasury Safekeeping Trust Company (Trust Company). While we saw no evidence of loss or misappropriation of state assets, the fact that the Treasury does not adhere to certain significant industry standards followed by its counterparts in the private sector could increase the risk that such incidents could occur. No statute or regulation requires the Treasury to adhere to these standards.

During our audit work, we identified substantial opportunities for improvement in organizational structure, staffing, and internal controls. We brought these to the attention of the Comptroller. The Comptroller has started to implement the majority of the recommendations we made regarding these issues, and we encourage the Comptroller to continue this effort.

Key facts and findings include the following:

- Although the Treasury is not expressly obligated to adhere to financial industry and regulatory standards, doing so could help it maximize investment returns, improve internal controls, enhance its accounting and information system, and strengthen its monitoring efforts.
- Aspects of Trust Company oversight, policy, and investment practices need to be strengthened.
- As of August 31, 2000, the Texas Tomorrow Fund remained actuarially sound and provided the expected prepaid tuition services. However, financial risks associated with this \$970 million financial institution need to be identified and addressed to ensure the Fund's viability.
- Management of the Texas Local Government Investment Pool (TexPool) has restored confidence so that the pool continues to grow. However, there are still opportunities to improve TexPool's operations.

Status of Audit Recommendations¹ as of November 30, 2002 (unaudited)	
The Comptroller has reported the following:	
Implemented	14
Partially Implemented	7
Does not plan to take corrective action	1
Total recommendations	22

¹ The figures represent an aggregate total of separate recommendations made to both the Prepaid Higher Education Tuition Board and the Treasury Safekeeping Trust Company.

A Review of the Salaries to Be Proportional by Fund Process

(Report No. 01-026, May 2001)

We reviewed the procedures by which the Comptroller of Public Accounts evaluates agencies' compliance with the Salaries to be Proportional by Fund rider (General Appropriations Act, 76th Legislature, Article IX, Section 9-6.11). We found that the procedures, if followed, are adequate to ensure that disproportionate amounts are identified and repaid.

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Most Recent Performance Measure Certification

Fiscal Year 1998–Fiscal Year 2003

The results of *An Audit Report on Performance Measures at 36 State Entities–Phase 12 of the Performance Measures Reviews* (Report No. 98-040, May 1998) for the Treasury Department – Comptroller’s Office are summarized below.

Period	Measure	Certification Results
1997	Amount of Portfolio Yield Exceeding Average Yield of Top 10 Funds	Certified with Qualification
1997	Increased Interest Earned Through Minimization of Float	Certified
1997	Dollars of Audit Generated Revenue per \$1 of Audit Program Cost	Certified
Total Measures Certified Without Qualification^a		2/3 (67%)
Data Reliability Percentage (Certified and Certified with Qualification)		3/3 (100%)

^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)].

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.

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 Comptroller of Public Accounts 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.

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Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 2,102,824	\$ 2,214,055	\$ 2,460,875
Out-of-State Travel	1,544,159	1,459,601	1,321,342
Foreign Travel	0	0	0
Other Travel Costs	4,680	24,040	1,985
Total Travel Expenditures	\$ 3,651,663	\$ 3,697,696	\$ 3,784,202
Limit on Travel Expenditures (Cap)	3,888,052	3,888,052	1,544,159 ^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 the Comptroller 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.