



# A Legislative Summary Document Regarding Structural Pest Control Board

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## State Auditor's Observations

The Structural Pest Control Board's (Board) methods for estimating revenues and expenditures do not accurately present the Board's budgetary position or result in an accurate Legislative Appropriations Request (LAR). The Board does not base its estimates on what it needs to accomplish its mission or on what it realistically expects to collect.

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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.*

# Structural Pest Control Board

SAO Contact: Walt Persons  
(512) 936-9500

## Financial Profile

### LAR Preparation

The Structural Pest Control Board's (Board) methods for estimating revenues and expenditures do not appear to be reasonable and have resulted in inaccurate Legislative Appropriations Requests (LAR). The Board's revenue estimation process does not accurately estimate the revenue it expects to receive. When estimating revenue, the Board starts with the amount of General Revenue funding it received in the past and then adds \$100,000 to represent the federal funds it expects to collect. The Board's actual federal revenues are routinely around three times more than the \$100,000 estimate (see Table 1).

### Revenue Projections

The Board may not be maximizing federal revenue sources, because it applies for federal funds only when the required deliverable is something the Board already does or produces. The Board indicates that it seeks federal discretionary grant funds that (1) are within its mission/goals and would further those goals, (2) do not appear to cost more for the deliverables than the grant, or (3) might be a reasonable addition to similar agency work. In addition, the Board's use of federal revenue for expenditures already incurred does not ensure that the use of these funds complies with all federal requirements.

Table 1

Fiscal Year	Actual Federal Revenues
2002	\$295,925
2001	\$363,925
2000	\$273,050
1999	\$407,510
1998	\$533,577

Source: USAS

### Expenditure Projections

In previous LARs, the Board did not identify and prioritize its expenditure needs. The Board understated projected expenditures in its 2001–2002 LAR in order to match expected General Revenue funds. The Board subsequently attempted to meet its operating expenditures with federal funding sources. For fiscal year 2001, the Board underestimated its expenditures by more than \$270,000. Fiscal year 2002 projections indicate that the Board underestimated expenditures by approximately \$293,000. Total appropriations to the Board for these years were \$1.3 million in 2001 and \$1.4 million in 2002. According to the Board, since July 2001, the current executive director has had regular meetings with agency management to review priorities and establish a working budget for each area within the agency.

### Reconciliations

The Board does not regularly reconcile accounting records to ensure that all material adjustments have been recognized and incorporated into the budget systems and documents:

- The Board does not reconcile the Uniform Statewide Accounting System (USAS), which it uses as its internal accounting system, to its cash receipts database.
- The Board does not reconcile the number of licenses it issues to the amount of license revenue it collects.
- The Board has not reconciled USAS to the Automated Budget and Evaluation System for Texas (ABEST) since the third quarter of fiscal year 2001.
- The Board's suspense account contains 119 transactions, totaling \$6,623, that are more than 30 days old. (A suspense account is typically used to record monies for which the proper accounting has not been determined.) Twenty-one of these transactions were dated between March and December 2001. The suspense account's total balance consists of 178 transactions totaling \$10,190. The Board cannot spend these funds until it determines how to account for these transactions.

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## Expenditures by Category

The table below shows the Board's expenditures by Comptroller of Public Accounts category as reported by the Board in USAS for appropriation years 2000, 2001, and 2002. This data has not been audited. It is provided for informational purposes to show how the Board has spent its funds. We obtained explanations from the Board for fluctuations across years that appeared unusual.

<b>Expenditures by Comptroller USAS Category Groups</b>			
Comptroller USAS Category Group	Appropriation Year 2000	Appropriation Year 2001	Appropriation Year 2002
Salaries and Wages <sup>a</sup>	\$ 1,145,143	\$ 1,184,957	\$ 1,216,582
Employee Benefits	274,941	289,539	328,836
Travel	148,463	142,802	111,200
Rentals and Leases	59,274	69,811	64,860
Supplies and Materials	45,948	50,140	52,143
Other Expenditures (Note A)	33,231	33,113	66,572
Interfund Transfer/Other	30,149	32,102	42,748
Communications and Utilities	30,016	33,738	26,032
Printing and Reproduction	33,524	17,788	23,243
Capital Outlay (Note B)	7,129	43,896	230
Repairs and Maintenance	6,305	7,133	2,981
Professional Service and Fees	1,908	711	4,988
Interest/Prompt Payment Penalties	7	1	2
Public Assistance Payments	26	0	0
<b>Total Expenditures by Category Group</b>	<b>\$ 1,816,064</b>	<b>\$ 1,905,731</b>	<b>\$ 1,940,417</b>
<sup>a</sup> 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.			

Note A – For appropriation year 2002, other expenditures increased from the prior years because of approximately \$30,000 in training expenditures that were related to a federally funded technical training program. In previous years, the Board did not classify any training expenditures in this manner.

Note B – According to management, the Board purchased several computers in 2001. This accounted for the increase in Capital Outlay that year. The decrease in 2002 is because, prior to fiscal year 2002, items costing more than \$1,000 were considered capital assets and their costs were considered Capital Outlay. In fiscal year 2002, the threshold increased to \$5,000, meaning that expenses for items that cost less than \$5,000 are now accounted for in other categories, such as Supplies and Materials.

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## Performance Management

### *Performance Indicators Used by Management*

The Board uses those performance measures identified in the General Appropriations Act (outcomes and outputs) to determine how well it is achieving its mission. Performance measure reports are prepared quarterly and communicated to applicable individuals, including the governing board, via e-mail or telephone. Informal management and staff meetings also serve as venues to discuss achievement of performance measures.

According to self-reported performance in ABEST, the Board's performance related to Goal B, Percent of Complaints Resulting in Disciplinary Action, has declined steadily over the past four years. However, even though it is declining, the actual performance has remained above the established target.

### *Estimating Performance Targets*

The Board has a reasonable method for estimating performance targets. The Board sets the targets for the performance measures listed in its LAR by averaging the actual results for the previous 15 quarters. If the results reported differ from the target by more or less than 10 percent, management may make adjustments as deemed necessary. Management indicates that actual results are reported to the governing board, and corrective action is taken when results are not in line with projections.

### *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 this entity are summarized below.

Period	Measure	Certification Results
1997	Number of New Licenses Issued to Individuals	Factors Prevented Certification
1997	Number of Complaints Resolved	Certified with Qualification
Total Measures Certified Without Qualification <sup>a</sup>		0/2 (0%)
Data Reliability Percentage (Certified and Certified with Qualification)		1/2 (50%)

<sup>a</sup> 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.

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## Disaster Preparedness

We gathered information from the Structural Pest Control Board (Board) 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 the Board's plans. Our objective was only to provide the information reported by the Board.

The Board has a Disaster Recovery Plan that addresses business continuity issues, including the salvage of vital records and equipment, the retrieval of back-up data stored offsite, and the securing of alternative work sites. Specific responsibilities for ensuring the resumption of business are assigned to various members of management and employees who have been made aware of their responsibilities through the distribution of copies of the plan. The plan provides for a variety of emergencies, including fires, bomb threats, hostage situations, medical emergencies, and severe weather.

The Board's financial information is contained in USAS, and weekly backups of all data are stored at the Texas State Library. Although the risk to state records is minimal, the Board's Disaster Recovery Plan provides for storage of personnel information and USAS script files in offsite disaster recovery boxes as an additional precaution.

The Board last updated the plan in the fall of 2000. The Board indicates that a revision issued in September 2002 will address the recent move to the Board's new location.

## Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 143,926	\$ 138,989	\$ 109,209
Out-of-State Travel	4,861	3,814	1,979
Foreign Travel	0	0	0
Other Travel Costs	(324)	0	13
<b>Total Travel Expenditures</b>	<b>\$ 148,463</b>	<b>\$ 142,802</b>	<b>\$ 111,200</b>
Limit on Travel Expenditures (Cap)	154,692	145,397	4,861 <sup>a</sup>
<b>Expenditures in Excess of Cap</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

<sup>a</sup> 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 Board 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.