

An Audit Report on

Agency Implementation Of State Auditor's Office Recommendations



Office of the State Auditor
Lawrence F. Alwin, CPA

October 1994

Report No. 95-016



OFFICE OF THE STATE AUDITOR

TWO COMMODORE PLAZA
206 EAST NINTH ST., SUITE 1900
AUSTIN, TEXAS 78701

MAILING: P.O. BOX 12067
AUSTIN, TEXAS 78711-2067

PHONE: (512) 479-4700 FAX 479-4884

LAWRENCE F. ALWIN, CPA
State Auditor

SHARON W. COBB, CPA
First Assistant

October 19, 1994

Members of the Legislative Audit Committee:

Our follow-up examination of ten audit reports issued during fiscal years 1991 and 1992 indicates that state agencies generally implement the recommendations made by the State Auditor's Office. Of the 84 recommendations made in the ten reports, we found that 58 recommendations (69 percent) were fully implemented. In addition, 16 recommendations (19 percent) are in the process of implementation. Only ten recommendations (12 percent) were found not to have been implemented.

Our examination of the ten reports not only indicates a high implementation rate, but an accompanying improvement in the operations of the agencies. At the Texas Department of Public Safety, the Department reduced warehousing costs by increasing inventory turnover and improved the process for outfitting new vehicles before placing them out in the field. At the Texas Department of Housing and Community Affairs, the Department has improved the participation of outside interest groups. As a result, the agency's planning process has been opened to advocacy groups, and communications and cooperation have greatly improved.

Although only a small percentage of recommendations were not implemented, failure to implement the recommendations may affect the efficient operations of some agencies. At the General Services Commission, the recommendation to develop an automated maintenance management system has not materialized. As a consequence, the Commission still depends on a manual card system for managing the maintenance of its state buildings.

We appreciate the courtesy and cooperation shown by the nine agencies and one university during the course of this follow-up examination.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lawrence F. Alwin".

Lawrence F. Alwin, CPA
State Auditor

LFA/rmn/enclosure

Key Points of Report

An Audit Report on Agency Implementation of State Auditor's Office Recommendations

October 1994

Key Facts And Findings

- The agencies and the university implemented 69 percent of our recommendations.
- Implementation of the State Auditor's recommendations has also resulted in improvement in the operations of the agencies and university.
- Although only a small percentage of recommendations have not been implemented, failure to implement the recommendations may adversely affect the operations of some agencies.
- The follow-up examinations were performed on management control audit completed during fiscal years 1991 and 1992.
- We reviewed 84 recommendations at 9 agencies and 1 university.

Contact:

Barbara Hankins (479-4921)

*This audit was conducted
in accordance with
Government Code, Chapter 321.013.*

Table of Contents

Issues	1
Section 1: State Agencies Are Implementing State Auditor Recommendations	1
Section 2: Implementation Of Recommendations Improve Agencies' Operations	1
Appendices:	
1 - Objective, Scope, And Methodology	5
2 - Recommendations By Agency And Category	6
3 - Results Of Follow-Up Audits	7
4 - Report List	17

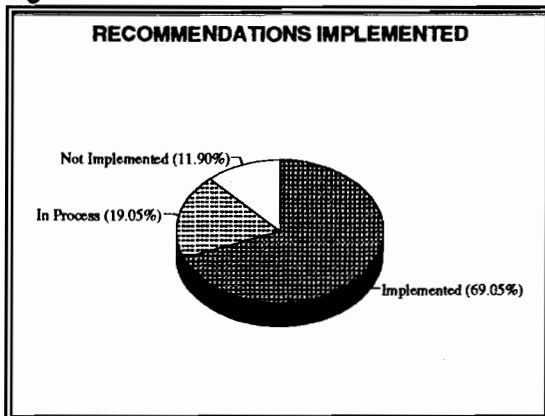
Section 1:

State Agencies Are Implementing State Auditor Recommendations

Our follow-up examination of ten audit reports issued during fiscal years 1991 and 1992 indicates that state agencies generally agree with and implement the recommendations made by the State Auditor's Office. Ten management control audit reports of nine state agencies and one university were selected for follow-up examination because of the significant issues identified in the reports.

Agencies Examined
Department of Housing and Community Affairs
Texas Alcoholic Beverage Commission
General Services Commission
Department of Information Resources
Texas Youth Commission
Department of Public Safety
Texas Department of Mental Health and Mental Retardation
Texas School for the Deaf
Texas Workers' Compensation Commission
Texas Tech University

Figure 1



Of the 84 recommendations made in the ten reports, we found that 58 recommendations (69 percent) were fully implemented. In addition, 16 recommendations (19 percent) are in the process of implementation. Only ten recommendations (12 percent) were found not to have been implemented by the agencies and university audited.

Section 2:

Implementation of Recommendations Improve Agencies' Operations

Reports which contain constructive recommendations encourage improvements in the conduct of the agency's operations. Our examination of the ten reports mentioned above not only indicates a high implementation rate, but an accompanying improvement in the operations of the agencies.

At the Department of Public Safety, the Department reduced its inventory parts for fleet operations and increased its inventory turnover ratio. Also, by restructuring the process for outfitting new vehicles before being placed out in the field, the Department reduced the waiting time between processing stations. Implementation of another recommendation improved the morale and opportunities of Department employees as well. Highly specialized technicians are now eligible for salary upgrades equal to their supervisors. Previously, these skilled employees were limited to Group 16.

Implementation of the State Auditor's recommendations has greatly improved the participation of outside interest groups at the Texas Department of Housing and Community Affairs (TDHCA). Of the 27 members of 2

committees that jointly prepare the Comprehensive Housing Affordability Strategy, 21 are non-TDHCA staff members. In addition, interest groups and other state and federal agencies are given the opportunity to review and comment on TDHCA's strategic plan. As a result, TDHCA's planning process has been opened to advocacy groups, and communications and cooperation have greatly improved. Another benefit of TDHCA's outreach to outside groups is the leveraging of state funds to obtain funding from government and private sources, such as the AFL-CIO Housing Trust Fund.

At the recommendation of the State Auditor's Office that the Texas School for the Deaf implement effective methods for obtaining outcome measures from alumni, the School redesigned its graduate survey form. The School also implemented a telephone TDD follow-up contact program to augment its previously mail-only survey. As a result, the response rate has increased from 15 percent to 72 percent.

The effects of implementing the State Auditor's recommendations are not always dramatic. However, even small changes, such as having the internal auditor report to the agency's commissioners at the Texas Alcoholic Beverage Commission, are important in improving the accounting and administrative controls of an organization.

Section 2-A:

Failure To Implement Recommendations May Adversely Impact Some Agencies

Although only a small percentage of recommendations were not implemented, failure to implement the recommendations may adversely affect the operations of some agencies.

At the General Services Commission, the recommendation to develop an automated maintenance management system has not materialized. As a consequence, the Commission still depends on a manual card system for managing the maintenance of its state buildings. A manual system is cumbersome and inefficient. An automated system would automatically determine when equipment is due for preventative maintenance or replacement. It is possible that the savings derived from an automated management system would exceed its acquisition costs.

The Department of Public Safety has not incorporated a standard methodology for the implementation, design, and maintenance of all its automated systems. Without a consistent methodology, there is no assurance of user involvement or standardization of applications, and there is an increased risk of failed projects.

According to some agencies, some of the recommendations were not implemented because of funding constraints. In other cases, the agency determined that implementation of the recommendation was not in its best interest. Our recommendation to centralize enrollment management at Texas Tech University and Texas Tech University Health Sciences Center was not implemented because the University felt that enrollment management and recruitment are substantially different for the two institutions. At the Texas Alcoholic Beverage Commission, our recommendations to improve the process for issuing "rush" permits were not implemented. The Commission felt that the information available and the permitting process were adequate. In both instances, the reason for not implementing the recommendations was considered reasonable, and the issues were closed.

Issues

Section 2-B:

Agencies Continue To Work Towards Full Implementation Of Recommendations

Many of the agencies examined during this project had multiple findings. While some of the recommendations were fully implemented, others were found to be in some stage of implementation.

At the Texas Department of Housing and Community Affairs (TDHCA), the agency has made progress in implementing recommendations related to monitoring of bond cash flows and performance. TDHCA plans on hiring a financial analyst and purchasing software in September 1994 to start doing in-house cash flow analysis. When fully implemented, TDHCA will be able to monitor its bond cash flows, compare actual to projected cash flows, and improve its funds management strategies.

Although the Texas Alcoholic Beverage Commission transferred some of its tax collection and audit functions to the Comptroller's Office, it retained the excise tax function. The Commission is still working on revising its excise tax manual and developing quality control measures for its audits. When completed, the Commission should have the methodology in place to ensure audit consistency.

This page left intentionally blank.

Objective, Scope, And Methodology

The objective of the follow-up examinations was to determine the degree of agency implementation of the recommendations made by the State Auditor's Office.

The 9 agency and 1 university audit reports were selected for follow-up procedures after a review of prior year performance audit reports. The ten reports were further scrutinized to identify those issues and recommendations which were significant. The project manager or a team member involved in the original audit project was interviewed to get their perspective on the significance of the issues. After the significant issues were identified, each agency was sent a survey. The agencies were asked if the recommendations had been implemented and to submit documentation to support management's assertion that recommendations had been implemented.

The surveys were reviewed and analyzed, and a determination was made if further work was necessary. If additional work was required, the auditor contacted the agency and obtained additional documentation or information.

The follow-up review was conducted in accordance with generally accepted government auditing standards.

Recommendations by Agency and Category

Total Number of Recommendations					
Agency/University	Policy Management	Information Management	Resource Management	Performance Management	Total
Department of Housing and Community Affairs SAO Report No. 2-031	3	5		3	11
Texas Alcoholic and Beverage Commission SAO Report No. 2-099	11	1	2		14
Texas Tech University SAO Report No. 2-008	9		7		16
General Services Commission SAO Report No. 2-079	1		4		5
Department of Information Resources SAO Report No. 2-137			2	9	11
Texas Youth Commission SAO Report No. 2-058	3		2	2	7
Department of Public Safety SAO Report No. 1-148			4		4
Texas Department of Mental Health and Mental Retardation SAO Report No. 2-007	3		2	1	6
Texas School for the Deaf SAO Report No. 2-094	1	1		1	3
Texas Workers' Compensation Commission SAO Report No. 2-046			7		7
Totals	31	7	30	16	84

Each of the recommendations made were placed into four broad categories. Policy Management encompasses strategic planning, organization structure, and policies and procedures. Information Management relates to information used by management to make informed decisions. Resource Management includes human resources, cash, investments, infrastructure, purchased services, revenue, debt, and automation. Performance Management includes performance measures, program evaluation, and quality control/assurance.

Results of Follow-Up Audits by Agency

Results Of Follow-Up Audits			
Agency/Recommendations	Implemented	In Process	Not Implemented
<p>Texas Department of Housing and Community Affairs</p> <p>1. The Agency should make an assessment of housing needs.</p> <p>2. The Board should implement the approved strategic planning process. The Agency should complete the process of breaking plans into more detailed goals and concrete objectives. Also, output and outcome indicators should be developed for the ideas listed on a recent status report on the strategic plan.</p> <p>3. The Agency should develop a system for identifying and evaluating alternatives.</p> <p>4. The process by which decisions are made should be well documented and understood by staff as well as interested outsiders. Currently, there is no such process for decision-making used by the Agency.</p> <p>5. The Agency should develop a system for taking advantage of the information and program resources available from many outside entities concerned with affordable housing.</p> <p>6. The organizational structure should be evaluated and restructured. Several important functions appear to be hampered by the current organizational structure.</p> <p>7. The Agency should develop additional policies and procedures for routine operating procedures, decisions, and reviews.</p> <p>8. A formal monitoring system is needed to ensure that the bond programs are in compliance with the indentures or to monitor actual cash flows with projected cash flows. In addition, the Agency must ensure that it is in compliance with an indenture requirements for annual projected revenue and expense statements.</p>	<p></p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p></p> <p></p> <p></p>	<p>X</p> <p></p> <p></p> <p></p> <p>X</p> <p>X</p> <p></p> <p>X</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>

9. Performance indicators currently used by the Agency should be modified to include input, output, efficiency, and outcome performance indicators.	X		
10. The Agency should use the information that is available to it to evaluate program performance.	X		

Texas Alcoholic Beverage Commission			
1. The Agency should continue the development of the Agency's mission, guiding philosophies, goals, values, and plans.	X		
2. Performance measures should be enhanced, and an effective system for monitoring and evaluating performance should be implemented on an agency-wide basis.	X		
3. We recommend that the Commission and agency management become more active in their communication with the Legislature. Efforts should continue to increase communication with citizen groups.		X	
4. Management should continue its efforts to improve communication throughout the Agency. The Ports of Entry Division should be represented at headquarters to help ensure the program's accountability and effectiveness.	X		
5. Internal audit and internal affairs should report directly to the Commission members with access to the Acting Administrator.	X		
6. Management should combine all human resource related duties into a comprehensive human resource department.	X		
7. Also, a procedures manual should be developed, evaluation criteria which is more job specific should be developed, and up-to-date job descriptions should be prepared and communicated to all agency personnel.	X		
8. Management should ensure that tax security exemptions are only granted according to statute.	X		
9. Management should continue its efforts to ensure that enforcement statutes, policies, and procedures are consistently applied.	X		
10. The audit procedures manual should be updated and revised.	X		
11. The Audit Division should define the role of the administrative trainer.	X		
12. The audit review process should be expanded to include an extensive review at headquarters and randomly selected audits.		X	

<p>13. Management should implement procedures to ensure that temporary permits are only used for purposes outlined in the Alcoholic Beverage Code.</p> <p>14. If the Agency is going to perform permit rushes, the following should be developed:</p> <ul style="list-style-type: none"> • formal written criteria • formal documented procedures • unique requirements • formal notification of services available 		X	X Issue Dropped
<p>General Services Commission</p> <p>1. The Commission should consider how they can be proactive in the State's management of space.</p> <p>2. It should also develop a system for coordinating the internal programs relating to space acquisition and consider the need for additional resources for the lease management function.</p> <p>The Commission should:</p> <p>3. Consider strategies to provide better information to assist the Legislature in evaluating the needs for maintenance of the State's physical assets.</p> <p>4. Complete the development and implementation of an automated maintenance management system.</p> <p>5. Consider ways to enlist the assistance of the agencies who occupy the buildings.</p>	X X X		 X X

<p>Department of Information Resources</p> <ol style="list-style-type: none"> 1. The Department should work with the Governor's Office during development of general statewide plans to demonstrate the relationship of technology to other functional areas. 2. It should also define outcome and output measures to assess implementation of the State Strategic Plan for Information Resources Management. 3. In addition, the Department should clearly define roles and responsibilities for implementation of goals and strategies of the State Strategic Plan for Information Resources Management. 4. The Department should evaluate statewide uses of information resources technologies through the review of agencies' Annual Performance Report. 5. The Department should fully exercise its rule-making authority. 6. The Department should continue to monitor the status of the plans and reports, and evaluate future compliance of agencies and universities with mandated deadlines. 7. It should also develop the methodology for gathering and reporting cost/benefit information, then quantify benefits and costs on a statewide basis. 8. In addition, it should continue to evaluate existing procedures for the preparation and approval of mandated reports. 9. Also, the Department should maintain an awareness of the perceived value of its services by agencies and universities, the Legislature, and vendors. 10. The Department should act immediately to correct the problems identified in the report related to security controls over computer operations to prevent unauthorized access, physical damage to computer equipment, programs, and data. 11. Also, the Department should move faster in developing procedures for the use of the Disaster Recovery Operations Center. 	<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p>X</p> <p></p> <p>X</p> <p>X</p>	<p></p> <p></p> <p></p> <p>X</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>
---	---	--	--

Texas Youth Commission			
1. The Commission, the judiciary, and the counties should work more closely to coordinate service delivery and commitment of youth.	X		
2. The Commission and the Legislative Budget Board should continue their analysis and development of relevant performance measures and targets for evaluating performance toward achieving the stated mission.	X		
3. The Commission and other participants in the juvenile justice system environment need to be working, from a systems perspective, toward fostering closer cooperation, coordination, and joint planning between all agencies dealing with children at risk.			X
4. The Commission should develop an implementation planning process that assigns responsibilities for actions, identifies resources available and required, establishes time tables, and sets performance measures.	X		
5. The existing Strategic Plan should be revised to meet the requirements of House Bill 2009.	X		
6. The Commission should implement a formal methodology to control the design, development, implementation, and maintenance of automated information systems.	X		
7. The Commission should further define and implement formal standard data input policies and procedures to promote the integrity of automated child care information.			X

<p>Texas Department of Public Safety</p> <p>1. An electronic data processing steering committee should be established to supervise the system development and maintenance process, assign priorities to projects, and resolve problems as they arise.</p> <p>2. The Department should use the opportunity provided by the new electronic data processing auditor to review sections of the General Manual and upgrade them, and set up a schedule of regular inspections.</p> <p>3. The Department should review its management of human resources in the technical areas. Training goals and clarified career paths should be considered.</p> <p>4. The Department should improve controls of the following areas:</p> <p style="padding-left: 40px;">A. Fleet Management B. Inventories</p>	<p style="text-align: center;">X</p>	<p style="text-align: center;">X</p> <p style="text-align: center;">X</p>	<p style="text-align: center;">X</p> <p style="text-align: center;">X</p> <p style="text-align: center;">4B X</p>
<p>Texas Department of Mental Health and Mental Retardation</p> <p>1. The Department should clearly address the development of community-based services and the long-term future of state institutions.</p> <p>2. The Department should develop procedures to ensure that the strategic plan is communicated to all employees.</p> <p>3. Also, a formal process of monitoring implementation of operational plans should be established with clearly defined responsibilities.</p> <p>4. The Department should develop an effective set of performance measures to encompass processes and outcomes.</p> <p>5. Management should integrate measurements and tracking mechanisms that permit performance evaluation across the entire service delivery system.</p> <p>6. The Department should evaluate the current environment on the quality of care.</p>	<p style="text-align: center;">X</p> <p style="text-align: center;">X</p> <p style="text-align: center;">X</p> <p style="text-align: center;">X</p>	<p style="text-align: center;">X</p> <p style="text-align: center;">X</p>	<p style="text-align: center;">X</p> <p style="text-align: center;">X</p>

<p>Texas School for the Deaf</p> <p>1. The School should implement effective methods for obtaining outcome measures from alumni.</p> <p>2. The School should evaluate the feasibility of using the Public Education Information Management System as part of the School's efforts to monitor effectiveness of its operations.</p> <p>3. Using the assistance and guidance provided by the Governor's Office and the Legislative Budget Board, the Texas School for the Deaf should develop a structured strategic planning process which involves all levels in the organization and provides proper direction and guidance for the entire agency.</p>	<p>X</p> <p>X</p> <p>X</p>		
<p>Texas Workers' Compensation Commission</p> <p>The Commission should:</p> <p>1. Clarify the roles and responsibilities of the Board of Commissioners, the Executive Director, and the Legislative Oversight Committee.</p> <p>2. Complete the strategic planning process.</p> <p>3. Revise performance measures as needed.</p> <p>4. Develop a mechanism for establishing and communicating policy.</p> <p>5. The Commission should focus on the root causes of error problems to improve data accuracy. It must also acquire: (1) mainframe expertise, (2) systems analysis skills, and (3) COMPASS system knowledge to continue development and maintenance of COMPASS.</p> <p>6. The Commission should establish a systems design and development methodology and complete internal standards and procedures.</p> <p>7. The Commission should enforce physical security controls and redirect traffic from the computer.</p>	<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>		

<p>Texas Tech University</p> <p>The following should be considered:</p> <ol style="list-style-type: none"> 1. Continue and coordinate the strategic planning process between the University and the Health Sciences Center. 2. Include specific, quantifiable performance measures and objectives for each goal, and communicate the objectives to all levels. 3. Periodically evaluate results and revise operational plans accordingly. 4. Although the institutions are statutorily separate, they should adopt a joint mission statement. 5. The University should centralize fund-raising activities in the Development Office. It should also establish a consolidated donor data base information system. 6. Consideration should be given to centralizing enrollment management at both the University and the Health Sciences Center. 7. Also the University should establish a coordinated, systematic strategy for institution-wide recruitment, which emphasizes a timely and standardized sequence of information distribution. 8. It should also develop an academic advising program that consistently and adequately serves all students. 9. In addition, the University should, implement a homogeneous, on-line degree audit system to support academic advising efforts. 10. Written guidelines for revenue projection should be established, particularly for service departments and auxiliaries, at the University. If necessary, train the personnel who estimate revenue under the new guidelines. 11. To support the commitment to quality customer service, the University should define and assign task responsibilities between the building and grounds maintenance functions. 	<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>	<p>X</p> <p>X</p>	<p>X</p>
---	---	-------------------	----------

<p>The University should also:</p> <p>12. Establish a steering committee composed of users and executive management from the University and the Health Sciences Center to guide and monitor information resources acquisition and development.</p> <p>13. Adopt policies for user developed systems, overall system coordination, system acquisition, service prioritization, and access controls. Develop monitoring procedures to ensure that the policies are followed.</p> <p>14. Prioritize programming requests within user departments before giving them to the computer centers.</p> <p>15. Educate employees about existing information systems, encourage their use, and evaluate the adequacy of training.</p> <p>16. Strengthen access controls by restricting programmers and users to systems which are relevant to their current work assignments.</p>	<p>X</p> <p>X</p> <p>X</p> <p>X</p>	<p>X</p>	
--	-------------------------------------	----------	--

State Auditor's Office Report List (in numerical order)

Texas Department of Public Safety, *An Overview of the Management Controls at the Texas Department of Public Safety*, SAO Report No. 1-148

Texas Department of Mental Health and Mental Retardation, *Management Control Audit of the Texas Department of Mental Health and Mental Retardation*, SAO Report No. 2-007

Texas Tech University, *Texas Tech University and Texas Tech University Health Sciences Center: A Management Control Audit "Cum Laude,"* SAO Report 2-008

Texas Department of Community Affairs, *A Review of Management Controls Prior to Transition*, SAO Report No. 2-031

Texas Workers' Compensation Commission, *A Review of Management Controls: Guiding Implementation of the Texas Workers' Compensation Act*, SAO Report No. 2-046

Texas Youth Commission, *Management Control Audit of the Texas Youth Commission*, SAO Report No. 2-058

General Services Commission, *Review of the Management Controls at the General Services Commission*, SAO Report No. 2-079

Texas School for the Deaf, *An Overview of Management Controls at the Texas School for the Deaf*, SAO Report No. 2-094

Texas Alcoholic Beverage Commission, *A Review of the Management Controls and Revenue Auditing Function at the Texas Alcoholic Beverage Commission*, SAO Report 2-099

Department of Information Resources, *Review of the Department of Information Resources*, SAO Report No. 2-137

Copies of this report have been distributed to the following:

Legislative Audit Committee

Honorable James E. "Pete" Laney, Speaker of the House, Chair
Honorable Bob Bullock, Lieutenant Governor, Vice Chair
Senator John Montford, Chair, Senate Finance Committee
Senator Kenneth Armbrister, Chair, Senate State Affairs Committee
Representative Robert Junell, Chair, House Appropriations Committee
Representative Tom Craddick, Chair, House Ways and Means Committee

Governor of Texas

Honorable Ann W. Richards

Legislative Budget Board

Sunset Advisory Commission

Chief Executive Officers and Board Members/Commissioners of the following agencies and universities:

Texas Department of Housing and Community Affairs

Texas Alcoholic Beverage Commission

General Services Commission

Department of Information Resources

Texas Youth Commission

Department of Public Safety

Texas Department of Mental Health and Mental Retardation

Texas School for the Deaf

Texas Workers' Compensation Commission

Texas Tech University