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**An Audit Report on
Controls at the Senate**

September 1996

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Key Points of Report

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Overall Conclusion

Although basic controls over some Senate-wide operations exist, much is left to the discretion of individual Senators. Decisions made on a Senator-by-Senator basis are not always the most efficient or effective for the Senate as a whole. Additional controls over key activities, if carefully structured, would minimize risks and improve efficiency and effectiveness while not interfering with a Senator's ability to provide individualized services to constituents.

Key Facts and Findings

- The existing system for establishing and monitoring Senate-wide policies and procedures is hampered by the lack of an overall statement of purpose, insufficiently defined authority and responsibility relationships, and a limited internal audit function. As a result, controls over key resources, such as human resources and fixed assets, are not strong enough to ensure that these resources are used efficiently and effectively.

- The Senate's budget system, which should act as the primary control over expenditures, does not cover all – or even most – expenditures. Approximately 60 percent of the Senate's $25.7 million of expenditures are not budgeted.

- Adjustments are needed to the system for identifying and resolving ethics questions and problems. Employees should be assured that the Senate supports them in identifying and resolving any potential problems.

- Improvements to information management have focused primarily on upgrading technology. Also needed is better identification and communication of key information resources. Additional data collection and sharing would provide improved information for constituent services, agency monitoring, and development of legislation.

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This audit was conducted in accordance with Government Code, § 321.0133.

Executive Summary

Although basic controls over some Senate-wide operations exist, much is left to the discretion of individual Senators. Decisions made on a Senator-by-Senator basis are not always the most efficient or effective for the Senate as a whole. Additional controls over key activities, if carefully structured, would minimize risks and improve efficiency and effectiveness while not interfering with a Senator's ability to provide individualized services to constituents.

Identify Oversight Objectives and Adjust Structure and Policies to Support Them

The Senate has recognized the need for controls over its operations and has granted oversight authority to the Senate Administration Committee and the Secretary of the Senate. However, the current oversight system, which has evolved over time, is not sufficient to ensure that all Senate operations consistently adhere to good business practices. More specifically:

- The objectives and extent of the intended oversight is unclear.

- Policies are not well-designed.

- Authority and responsibility relationships are not adequately defined and are subject to change and override.

- The internal audit function provides very limited information.

The lack of a clear focus for oversight combined with poorly designed supporting policies and an insufficiently defined authority and responsibility structure leaves the Senate at risk. It may not be providing the needed degree of management control over some of its key activities and resources. For example, management controls over human resources and fixed assets, which represent the largest expenditure categories (see Appendix 2.3) and the expenditures that have increased the most from the last biennium, need strengthening.

Establish a More Comprehensive Budget Process

The Senate's budget process needs improvements both in coverage and in content:

- Current budgets do not cover the majority of the Senate's expenditures.

- The budget development process relies primarily on prior-year budgets.

- Existing budget policies are not always properly designed to ensure efficient or effective expenditures.

- The budget/expenditure monitoring system does not appropriately identify and correctly allocate all significant expenditures.

- Monitoring reports are hard for users to understand.

As a result, the Senate loses many of the benefits provided by a good budget process. It loses the opportunity to carefully consider how it can best use available funds to benefit the Senate as a whole. Priorities are difficult to establish when expenditure decisions are made on a Senator-by-Senator basis. Budgets do not serve to control expenditures when all participants are not being held to spending limits. In fact, participants who are fiscally conservative could find that others who are less so may have spent all available funds.

Executive Summary

Improve Ethics Management to Minimize Risk

Individual Senators and the Senate as a whole are greatly affected by the public's perception of whether the Senate conducts its business in an ethical manner. Steps have been taken to ensure that the Senate operates ethically. Additional steps are needed to ensure that all concerns are reported and addressed. They include providing additional support to employees for identifying potential ethics issues. In addition, the policies on nepotism and conflict-of-interest may need updating.

Manage Information As Well As Technology

Improvements are needed in the Senate's approach to information management. To date, improvement efforts have focused on upgrading technology. Also needed is better identification and communication of key information resources. This should reduce duplication of effort among offices and improve the overall quality of information readily available to Senators and staff. Additional data collection and sharing would provide improved information for constituent services, agency monitoring, and development of legislation.

Detailed Issues

These issues, along with others, are reported in detail in the next section of this report.

Objective and Scope

Our audit objective was to review the Senate's policies and procedures over human resources, fixed assets and expenditures, as well as the process for developing and maintaining policies and procedures in general.

The scope of this audit included consideration of the Senate's systems for managing policies, resources, information, and performance. All committee offices, all Senate administrative departments, and the capitol and district offices of all Senators were included.

Summary of Management's Response

We appreciate the hard work your office has devoted to this audit, and we believe the resulting report will serve as a guide for ensuring required controls in the Senate. Our responses to each section are included in the body of the report.

Increase Efficiency and Effectiveness by Establishing Additional Controls Over Key Activities

Individual Senators and their offices focus on their primary responsibilities – serving constituents, monitoring state agencies, and making state laws. They are also concerned about minimizing expenditures. Many Senators regularly contribute personal resources to their office operations. The Senate as a whole is also very concerned about the public's perception of the quality, integrity, and efficiency of its operations. In fact, the Senate Administration Committee requested this audit to identify opportunities to improve Senate operations.

On the other hand, the Senate has been somewhat reluctant to establish too many controls over individual Senators' offices, primarily due to concern that such controls might inadvertently restrict the Senators' ability to do their jobs. However, control systems do more than simply monitor and restrict activities. They also protect an entity from risks and provide opportunities for improving overall operations. Thus, in limiting its use of controls, the Senate may be unnecessarily increasing its risks and limiting its ability to work more efficiently and effectively. We identified several instances where improvements to management controls would reduce risks and improve operations:

- Establishing oversight objectives and the structure and policies for meeting them would demonstrate to the public the Senate's commitment to operate efficiently and effectively.

- Expanded budgeting and performance measurement processes would allow the Senate to identify additional opportunities for streamlining and improving its operations.

- A more formal process for identifying and resolving potential ethics problems would protect the Senate from the risk of adverse publicity due to the appearance of inappropriate actions.

- Minimum human resources standards would protect the Senate from the risk of inappropriate use of personnel.

- A fixed asset management plan would allow the Senate to better prioritize its fixed asset needs and more efficiently acquire and dispose of such assets.

- Improved information management would allow all Senators to respond more quickly and accurately to constituent needs.

SENATOR CHRIS HARRIS: (Attachment 1)
The six identified improvements in management controls listed here are explained by SAO in more detail in following sections. Our responses are included in those sections.

SENATOR MIKE MONCRIEF: (Attachment 3)
The recommended improvements in management controls cited here are more fully addressed by SAO in subsequent sections of this report. Our responses are included in those sections.

Section 2: POLICY MANAGEMENT - OVERSIGHT

Identify Oversight Objectives and Adjust Structure and Policies to Support Them

The system for directing and controlling Senate operations is a patchwork of different participants and policies that has developed over many years. While each Senator is responsible for the operations of his/her own offices, some control and review over these offices and the operations of the central administrative staff has been established. The Senate Caucus (comprised of all Senators), the Senate Administration Committee, and the Secretary of the Senate all play a part in establishing operating policies and monitoring operations. Most of the written policies are documented in a Senate Resolution that is traditionally passed by the Senate (meeting as a Caucus of the Whole) at the beginning and end of each session. Additional policies have been developed and implemented by the Senate Administration Committee and by the Secretary of the Senate to carry out the directives included in the resolution.

The resulting oversight system, however, is not sufficient to ensure that all Senate operations consistently adhere to good business practices. We noted the following weaknesses:

- Policies are added when problems occur and are based upon changing ideas about what needs to be controlled and why. Consequently, coverage of key activities and risks could be improved.

- Authority and responsibility relationships are not adequately defined and are subject to change and override. This greatly reduces the value of having expenditures reviewed and approved.

- Information provided by the internal audit function is limited.

Develop and document the objective of the oversight function and policies to support it. The Senate as a whole has not determined what it wants its oversight system to accomplish. Is its main purpose to ensure the Senate provides quality service to customers, both internal and external? Or is efficiency also an objective? What about minimizing negative publicity? Or ethics violations? Or conflicts of

interest? Should the operations of Senators' offices be controlled? To what extent?
All of these different and sometimes conflicting objectives have been pursued by the
Senate at some point in time with differing degrees of success.

The result of these constantly changing oversight objectives is that the Senate's
policies and procedures are not well-designed when taken as a whole:

- Policies focus in great detail on some areas of operations but ignore others,
  regardless of the dollar amounts involved. For example, the Senate has several
  policies regarding subscriptions but none on the cost of Senate office leases.
  In fiscal year 1995, the Senate spent approximately $96,000 in subscriptions
  for Senate offices and $477,000 in leases for over 40 district offices.

- Some higher level policies are established but underlying policies/procedures
  do not support them. For example, the Senate employee handbook clearly
  states that conducting private or political business on state time is a violation
  of state law. However, employees who work part-time for the Senate and part-
  time for a Senator's private business are not required to accurately document
  the time spent on Senate business.

- The purpose and utility of some procedures are unclear.   For example,
  Senators are informed quarterly whether their office expenditures are in the
  upper third, middle third, or lower third with respect to other Senators. For
  fiscal year 1995, the highest amount spent by a Senator was $467,907 and the
  lowest amount was $160,421. It appears that the purpose of this report is to
  encourage Senators in the upper third to reduce their expenditures. This has
  not occurred. On the other hand, if the Senate were to cap Senators'
  expenditures at the average of the upper third, or $358,096, it would have
  saved $160,000 in fiscal year 1995.

The lack of a clear focus for oversight, combined with the poor design of policies to
support the oversight, leaves the Senate at risk. It may not be providing the needed
degree of management control over some of its key activities. Many of the issues
raised in the remainder of this report are examples of this.

**Clearly define the oversight authority and responsibilities of the Senate
Administration Committee and the Secretary of the Senate**. The oversight
authority and responsibilities of the Senate Administration Committee and the
Secretary of the Senate are not clearly defined. Senate Resolutions passed by the
Caucus direct them to approve expenditures requested by Senators and committees
prior to payment. However, the intent of the approval process is not stated. It is not
clear whether approval is to be granted when the expenditure is simply adequately
documented, or whether the expenditure should also be required to be appropriate
(related to Senate business) and make the best use of state funds. Except for dollar
limits on certain expenditures, few guidelines exist to help the Administration
Committee and the Secretary determine whether or not approval should be granted.
Neither of them has specifically been given the authority to deny expenditures,
although they do so from time to time. However, even in cases where the Caucus has
established specific spending limits for certain items, or budgets exist, expenditures in

excess of these limits have occurred. The ability of individual Senators to avoid these controls greatly reduces the value of the oversight.

An informal structure of authority and responsibility has developed in the absence of specific guidelines. The department managers under the Secretary of the Senate have written guidelines which identify the documentation required for most types of expenditures. The department managers also look for requests that may not be appropriate (because they are of a personal or political nature) and pass along their concerns to the Secretary of the Senate. If she agrees with the manager's concern, the Secretary discusses the expenditure with the individual Senator and asks him or her to withdraw the request. Any remaining questions are settled by the Senate Administration Committee. The Secretary of the Senate and the Senate Administration Committee have also developed some guidelines to make sure the Senate makes the best use of state funds, but they are limited. For example, additional furniture acquisitions were put on hold because of the large amount of furniture in the warehouse.

This informal system seems to work, but primarily because of the respect the Senators have for the experience and knowledge of the people currently involved. Should the situation change, the Senate may lose part or all of its ability to control the appropriateness of its expenditures.

Consider implementing a more formal internal audit function. The Senate Auditor primarily functions as an accountant/controller with some limited, informal audit activities. A formal internal audit function could be used to provide an independent check on the effectiveness of Senate oversight functions and to identify additional opportunities to improve specific operations. Such a function should report directly to the Senate Administration Committee.

Recommendation:

The Senate Administration Committee, subject to approval by the Senate Caucus, should develop and implement a more effective oversight function using the following steps:

• Define, document, and disseminate the basic objectives of the Senate oversight function. Our conversations with Senators and staff indicate that the basic objective of the Senate oversight function might be stated as follows:

> Ensure that Senate operations as a whole comply with applicable laws, including ethics laws, and are conducted as efficiently and effectively as possible. The evaluation of efficiency and effectiveness should consider the effect of any proposed changes on individual officeholder operations.

• Identify the key risks associated with Senate operations.

- Inventory current policies and procedures and relate them to these objectives and risks.

- Develop additional policies and procedures, adjust or eliminate existing policies and procedures so that they align with Senate objectives, and minimize identified risks.

- Establish the responsibility and authority relationships needed to carry out the policies and procedures.

- Communicate the new structure and policies to all Senators and their staff through revisions to the periodic Senate Resolution or other policy documents.

- Consider expanding the internal audit function to assist the new oversight system.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree with this recommendation. Your suggested statement of the Senate oversight function recognizes both oversight responsibility and the autonomy of each senator. Our belief is that the best way to meet this responsibility while honoring each senator's autonomy is to provide the best management information to each Senator. These reports should be clear, complete and timely. Senate resources have been devoted to this audit as the foundation for identifying oversight objectives and adjusting structure and policies. Steps planned for implementation prior to the 75th session include expanding the internal audit function, adjusting the supervisory structure so the senate auditor reports to the Committee, and documenting training needed to make the best use of management reports.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. The Senate Administration Committee, with the approval of the Senate Caucus, will adopt a more precise statement of purpose with regard to the oversight function in the Texas Senate. The statement will reflect both the need for a more effective oversight function as well as recognize the need for some autonomy on the part of the Senators in their respective office operations. To ensure that Senate operations are as efficient and effective as possible we will establish and/or modify our reporting and dissemination systems so that information is documented and reported in a clear, complete and timely manner. This report will serve as the foundation for identifying objectives and adjusting policies and procedures.

Prior to the 75th session, the following steps will be taken to correct the deficiencies noted:

- *Inventory current policies and procedures and develop new or revised policies and procedures consistent with recommended changes*

- *Expand the Senate Internal Audit Function*

- *Restructure oversight and reporting so that internal Auditor reports directly to Senate Administration Committee.*

- *Develop system for disseminating information regarding changes in policies and procedures in a clear, concise and timely manner.*

SENATOR FLORENCE SHAPIRO: (Attachment 5)
The common theme throughout the audit report outlines a lack of accountability for senate policies and expenditures. However, I do not feel that our response adequately addresses the recommendations from the auditor. I would like to see this section make special mention of our efforts to establish a new structure for communicating policy changes to all Senators and their staffs.

Section 3: POLICY MANAGEMENT - BUDGETS
Establish a More Comprehensive Budget Process

The current budget process is not comprehensive enough to effectively direct and control Senate operations. More specifically:

- All Senate operations are not included in the budget process.
- The budget development process is weak.
- Existing policies do not always ensure that expenditures are either efficient or effective.
- Costs are not always accurately recorded or allocated.
- Monitoring reports are hard for users to understand.

As a result, the Senate loses the opportunity to carefully consider how it can best use available funds to benefit the Senate as a whole. Priorities are difficult to establish when expenditure decisions are made on a Senator-by-Senator basis. Budgets do not serve to control expenditures when all participants are not being held to spending limits. In fact, participants who are fiscally conservative could find that others who are less so may have spent all available funds.

Include all expenditures in the budget process. The existing budget process only covers Senate committees ($2.9 million). In addition, the amount Senators can spend monthly on staff salaries and travel is capped at $24,685 per month ($7.4 million in expenditures). This means that 60 percent of expenditures ($15.4 million), including Central Administration's expenditures, do not have budgets or caps.

Despite this lack of an overall budget process, the Senate has managed to live within its appropriated amounts. Expenditures have increased 3 percent between the last two bienniums; however, these increases are not occurring evenly throughout the Senate (see Appendix 2.3):

- Officeholder expenditures (for capitol and district offices) increased 7 percent.

- General Senate expenditures increased 5 percent (includes payroll taxes and benefits on all employees, all fixed asset acquisitions, and other unallocated expenditures).

- Committee expenditures increased 1 percent.

- Central Administration department expenditures decreased 1 percent.

When an expenditure is not budgeted, the evaluation of whether it is reasonable or not becomes more subjective. Lost is the comparison between what was planned and what was spent. This information is particularly helpful in identifying problems and in making adjustments to subsequent expenditures. The ability to ensure consistent expenditures for like items is reduced. Without budgets, reasonableness is judged based upon what is known at the time of the expenditure.

Improve and expand the budget development process. Senate committees and sub-committees are the only Senate functions required to prepare budgets. Each committee must prepare a budget request for approval by the Senate Administration Committee. The budget requests break down expected expenditures into eight categories including payroll, contract services, and travel.

Our survey of 6 of the 13 Senate standing committee interim budgets found the following weaknesses in the budget development process:

- None of the standing committees surveyed had written policies and procedures for the development of budgets. Consequently, each committee developed its budget using different assumptions and standards. Committees generally used the prior budget as a general guideline, adjusting for anticipated differences between last year's and this year's charges.

- The information and assumptions used to develop the budget are not always documented. As a result, previous budget information is not available to use in developing the current budgets.

- Only the prior period expenditures are analyzed. Analysis of one prior period is not sufficient to develop trends or forecast future expenditures.

- Performance measures, such as number of bills referred to a committee, number of bills heard, or the number of interim charges, are not used in the budget development process or included in the committee budgets. Measures are needed to evaluate budget efficiency and effectiveness. Although the legislative branch is exempt from this requirement, performance measures are required of all state agencies and universities.

- Only the committee chair and his staff participate in the budget process. It is possible that the needs of other committee members are not being met.

- Committee budgets are usually required to be submitted to the Administration Committee for review and approval before the interim charges are known. The

nature and scope of these charges determine the committees' workload for the most part. Without knowing these charges, committees find it difficult to develop realistic budgets.

As a result, the committee budgets do not do a good job of projecting actual expenditures. The actual committee expenses for the last two interim periods were 18 percent less than budgeted. While it is good that actual expenditures were less, such a large difference indicates the budgeted information was not accurate. When budgeted numbers are not accurate, they no longer serve as an effective check on the reasonableness of actual expenditures.

Align budget policies with their purpose. Some of the Senate's budget policies do not seem to be accomplishing their intended purposes. As a result, the Senate may be spending more than needed on some items and limiting other expenditures that may be useful.

Some budget policies limit the number or kind of item that can be purchased. They have not been effective in either limiting costs or ensuring that the right resources are obtained:

- Only one comprehensive newsletter can be sent by each Senator each year. However, an unlimited number of targeted newsletters can be sent. Thus newsletter and bulk postage costs vary greatly among Senators.

- Only certain types of subscriptions are allowed. The total cost of the subscriptions, however, is not limited. Cost per Senator varies from approximately $900 to $5,800 in fiscal year 1995.

- Existing policy also appears to prevent the purchase of some useful subscriptions. Several staff members expressed an interest in subscribing to the New York Times and the Wall Street Journal because they contain useful, relevant, timely information. We were told that these subscriptions are not permitted, although we could not locate a written prohibition against them. These subscriptions are expensive. However, total subscription costs could be capped, leaving the type of subscription up to the discretion of the Senator.

Some budget policies place dollar limits on expenditures without regard to reasonable causes for variations. Each Senator is allowed a set amount per month for employee salaries and travel. The substantial difference in travel costs due to district size and distance from Austin is not taken into consideration.

Improve the quality of cost allocations. The Senate is not allocating costs in some instances where it would be helpful to do so:

- Senators are charged only for the materials used to print their newsletters, stationary, cards, and other supplies. Labor and overhead costs are borne by Central Administration. As a result, Senators are making decisions based on incomplete cost information. This could result in Senators printing more newsletters than they would if they knew the actual costs.

- Employment taxes, retirement benefits, and lump sum distributions for all Senate employees are charged to Central Administration. Expenses reported for the offices of Senators and committees do not include taxes on their employees. Employment taxes alone represent a little over $2 million in additional costs, over half of which is allocable to employees of Senators and committees.

Some activities require analysis in order to determine their true costs. These costs can then be used to make more informed decisions about the cost versus the benefit of alternatives. For example, at least two Senators were allowed to use outside sources to print their newsletters. Even though the newsletters were not printed by the Senate, the Senate print staff was not reduced and the cost of printing supplies did not decrease significantly. This effectively increased the Senate's expenditures by the additional cost incurred – $11,500.

Record all expenditures in the correct cost center. Some Senate expenditures are being shifted to other cost centers and thus avoiding the control process:

- Some Senate offices may be using the Sergeant-at-Arms messengers to cover phones to such an extent that they really function as part-time employees, thus avoiding the cap on employee salaries. A recent study of messenger time spent answering phone calls for Senators shows an average of 40 hours per day, which translates to 5 full-time employees.

- One committee employee was carried under another cost center when the committee's salary budget ran out of funds.

For a budget process to work as a control, actual expenditures must be accurately recorded. If good reasons exist for an overage, they can be explained or the budget can be adjusted. Recording expenditures in another cost center not only undermines the control process but it distorts the information on current expenditures that will be used to project future needs.

Budget reports need reformatting. Existing financial reports are difficult for users to read, do not include encumbrances or accrued expenses, and classify some expenditures (such as fixed assets) in ways that make them difficult to monitor. As a result, some staff have developed parallel systems to track additional needed information. Although these parallel systems are useful, they represent an added cost that would not be necessary if existing reports were more helpful. The Senate is currently looking for a new accounting system. Input from users on report content and format should be used to help evaluate and choose the new system.

Budget reports are important because they enable management to determine what was actually spent and how that compares to what was budgeted. This analysis allows management to identify and adjust activities that are not going as intended. In the absence of complete, reliable budget information the Senate may be less likely to identify and make the needed adjustments.

Recommendation:

The Senate Administration Committee, subject to approval by the Senate Caucus, should develop and implement a more comprehensive budget process. It should include the following features:

- Include all Senate operations in the budget, not just committees and some salaries.

- Develop written guidelines and instructions, require analysis of prior expenditures and documentation of current assumptions, include performance measures, and allow for the participation of all responsible parties in the budget development process.

- Inventory and review existing budget policies. Those that are not accomplishing their intended purpose should be adjusted or eliminated. Additional policies should be added as needed.

- Allocate all significant overhead costs to the appropriate cost center(s).

- Accurately record actual costs.

- Adjust budget reports to meet user needs. (Coordinate with the Legislative Council on any new applications.)

- Regularly monitor budgets and actual expenditures and use the information to adjust operations.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We essentially agree with this recommendation. The committee will instruct the senate auditor to inventory and review existing budget policies and to bring to the committee recommendations for implementing your remaining six recommendations regarding budgeting.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. In an effort to address the problems associated with the lack of a comprehensive budget process, the Senate Administration Committee will:

- *Instruct the internal Auditor to inventory all existing Senate budget policies and operations*

- *Develop an action plan to revise current policies and procedures that incorporates the six recommendations made by your staff. This plan will be*

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reviewed and approved by the Administration Committee and, subsequently, presented to the Senate Caucus.

SENATOR FLORENCE SHAPIRO: (Attachment 5)
This section of the audit report contains one of the most relevant and important statements of the entire audit. Page 11 has a section titled "Budget reports need reformatting." The section states:

"Existing financial reports are difficult for users to read, do not include encumbrances or accrued expenses, and classify some expenditures, such as fixed assets, in ways that make them difficult to monitor."

I do not feel that the audit recommendations adequately address this issue. Therefore, I feel our response of agreeing with the recommendations could overlook this problem. I suggest the following language at the end of your comments on Section 3.

"The committee will also instruct the senate auditor to reformat existing financial reports so that they are easy to monitor and accurately reflect all expenditures."

Section 4: POLICY MANAGEMENT - ETHICS

Improve Ethics Management to Minimize Risk

All legislators face the challenge of keeping their legislative, political, and private business separate from one another. Legal guidelines, usually called ethics laws, have been established to help legislators determine what kinds of overlap between these activities are considered a conflict of interest or private use of public resources. In addition, the Senate has established some internal policies and procedures to reinforce the importance of these ethics laws and provide additional support and guidance to Senators and employees at the operational level. However, we found that improvements could be made in the level of guidance and support provided to staff, in the process used to report and resolve allegations, and in some specific policies.

The Senate's system has many strong points. However, public allegations of ethics violations, both founded and unfounded, have a very negative impact on the operations of the Senate. A stronger control system may be warranted to minimize the risk that this will occur.

A good ethics management process should establish basic policies and regularly communicate them to employees, provide a means for Senators and staff to confidentially ask questions and express concerns, monitor transactions that are high risk, resolve any identified problems, and make adjustments to both policy and process as needed.

Provide additional training and more operational guidelines to staff. The Senate has taken the following steps to establish and communicate its ethics policy:

- The Employee Personnel Policy Handbook has a four-page description of general ethics policy.

- All employees are required to sign forms indicating that they have read, they understand, and agree to comply with the ethics policies listed on the forms.

- Some Senators have provided their employees with ethics guidelines.

- The Texas Ethics Commission indicates that the Senate has designated two employees as ethics advisors, but their role is limited. One of them monitors the opinions of the Ethics Commission to determine if they affect Senate operations.

However, day-to-day Senate operations, particularly in the district offices, require a much more detailed understanding of ethics laws than is provided for in state law or Senate policies. For example, the following situations/concerns were mentioned to us in our office visits:

- What do you do when someone sends a campaign contribution to a district Senate office?

- Which events that staff are asked to attend as representatives for the Senator are political and which are official Senate business?

- Can personal and business appointments be legitimately kept on the Senator's schedule, or is that personal use of state property? (The Ethics Commission has issued an opinion of this question.)

Some chiefs of staff indicated that they wished they had better training on ethics. They also expressed a need for an ethics advisor – someone they could call when they had specific questions. They were apparently unaware of the existing ethics advisors. All of which indicates that additional, more specific guidance and support on ethics at the operational level may be helpful.

In addition, we found that additional communication may be needed to ensure all employees are really aware of all important ethics policies. We asked employees specific questions about the dual employment policy listed on the form they had signed. Some were still unfamiliar with the policy. Although the vast majority of employees were aware that they should not make personal long distance calls, one employee thought it was okay so long as the call was not over three minutes long.

Clarify the process for reporting and resolving ethics questions. We received a few allegations of ethics violations and resolved them as follows:

- One employee alleged that another employee was using state property for personal business and that a Senator was using messengers for personal business. The employee asked us not to investigate because he/she feared reprisals even if his/her name was kept confidential.

• One employee alleged that another employee was not conducting state business when out of the office during business hours. We were unable to verify or disprove the allegation because the employee could not provide any documentation and had not personally observed the other employee being anyplace inappropriate. The individual reported his/her concerns to his/her Senator but did not feel that the Senator took him/her seriously.

• One employee expressed concern that a consultant was being paid who was not providing services to the Senate. We investigated the allegation and found evidence that work had been done but were unable to evaluate whether the work was worth the amount paid.

In general, then, we did not find evidence of widespread ethics violations. However, the comments made by these employees suggests that the Senate might be able to do a better job of encouraging and supporting employees to report their concerns. If employees do not feel comfortable reporting possible problems, the Senate loses a valuable early warning system.

The current Employee Personnel Policy Handbook directs questions about ethics policy and laws to the Texas Ethics Commission and ethics violations or inquiries to the Secretary of the Senate. However, it is unclear how many employees are really aware of this. In addition, the handbook does not encourage employees to report their concerns, or set up any kind of process for resolving them. It does not inform employees that formal ethics complaints are confidential and that the Senate is subject to the state Whistle-Blower statute. Since Senators have the authority to determine essentially all personnel policies for their staff, employees may be uncomfortable about expressing their concerns without these protections.

Adjust and/or expand some policies. Some questions about specific ethics policies were raised by employees during the interview process. We found one violation of the nepotism policy and identified some situations that may create the appearance of impropriety. Some changes to the current policies may be needed.

• **Nepotism rules** - According to the nepotism guidelines in the current Employee Handbook, "Senate rule prohibits employment of any employee related to a member of the legislature. The rule applies to kinship by blood or marriage in all degrees." We found that the fourth cousin of a Senator had been employed by the Senate for several years in violation of this rule. He is no longer employed by the Senate. However, the definition of nepotism used by the Senate is more restrictive than other agencies in the State and may be almost impossible to enforce.

• **Conflict of interest** - Currently, only persons who are employees of both the Senate and another state agency are required to disclose their dual employment and are checked for compliance. The purpose of this control is simply to ensure that leave and other benefits are correctly calculated. The Senate also prohibits employees from working for a vendor providing services to the Senate. However, dual employment with state and private entities can also create the potential for perceived or actual conflicts of interest if the other

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entity needs legislation passed or legislative approval for funding. Consequently, a Senate employee could be employed by a private entity receiving state monies and not be required to disclose it. A Senate employee could also provide consulting services to a state agency and not be required to disclose it. We identified several Senate employees who also work for others as either an employee or an independent contractor.

Recommendation:

Review the ethics management process. Consider the following steps:

- Provide more detailed guidelines on situations encountered at district and other offices.

- Review existing methods for communicating policies. Consider conducting additional ethics training classes and/or having periodic rather than one time sign-off sheets.

- Clarify and expand the role of the ethics advisor. The advisor should report to the Senate Administration Committee or the Lieutenant Governor to ensure a sufficient level of authority.

- Expand the process for identifying and resolving ethics concerns:
  - Make sure all employees know who they can call with questions or concerns.
  - Inform employees that their questions will be kept confidential and that state Whistle-Blower laws apply to Senate employees.
  - Establish a process for investigating and resolving these concerns.
  - Senators may also wish to reiterate their support of the ethics policies in their individual office policies.

- Catalogue existing policies periodically. Determine if they address all significant concerns and if the policies are reasonable. Adjust policies as needed.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree with this recommendation. The committee will hire an attorney who will serve in the expanded role of ethics advisor, prepare more detailed guidelines, provide additional ethics training classes, expand the process for identifying and resolving ethics concerns, and periodically report on new decisions by the Texas Ethics Commission.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. The role of ethics advisor shall be expanded and clarified. An attorney who will answer to the Administration Committee will be hired

Figure 1
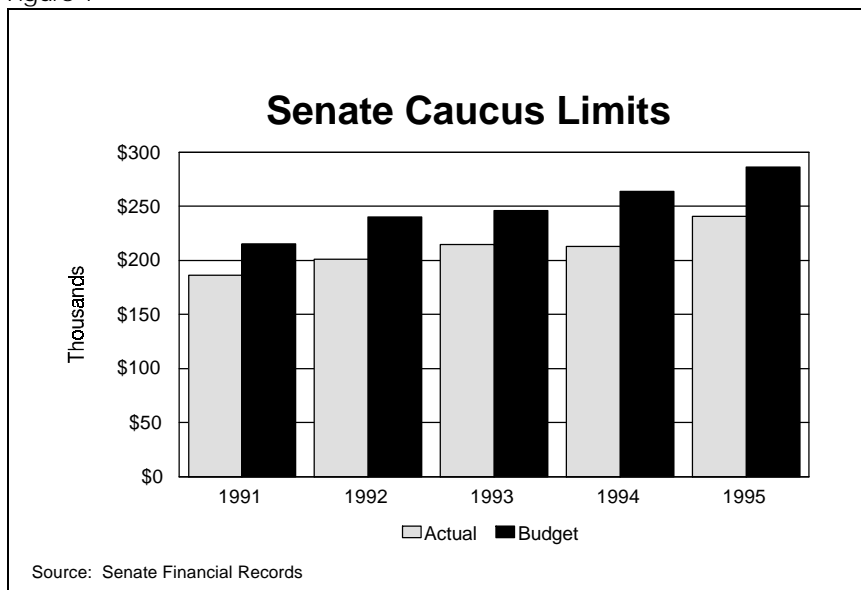
Senate Caucus Limits

Source: Senate Financial Records

to fulfill this role. The duties of the ethics advisor will include: preparation and dissemination of more detailed ethics guidelines, develop and provide employee ethics training courses, develop procedures for reporting and resolving ethics concerns, and disseminate updates on changes in ethics laws and/or opinions issued by the Texas Ethics Commission.

SENATOR FLORENCE SHAPIRO:(Attachment 5)
I am very pleased that the audit did not find evidence of widespread ethics violations. Furthermore, I feel that audit makes some very necessary recommendations about ways to give senators more detailed guidelines about ethics issues. I would like to see the Senate Administration Committee review these recommendations very carefully before we make specific comments about a course of action.

Suggested response:

We agree with this recommendation. The committee will expand the role of ethics advisor, prepare more detailed guidelines, provide additional ethics training classes, expand the process for identifying and resolving ethics concerns, review and expand current staffing and periodically report on new decisions by the Texas Ethics Commission.

Section 5: RESOURCE MANAGEMENT - HUMAN RESOURCES

Minimize Risks and Improve Efficiency by Using a More Consistent, Comprehensive Approach to Human Resources

The Senate's human resources management system is fragmented. It does not do a good job of protecting the Senate from some of the risks associated with misuse of human resources. The information collected is not sufficient to allow fine tuning of staffing levels. Compensation policies are incomplete. Some employees could be more productive with additional training.

The Senate spends about 80 percent of its budget on human resources (see Appendix 2.3). The amount budgeted and spent on human resources has been steadily rising. For example, the Senate Caucus places a limit on the amount Senators can spend on employee salaries and travel. Figure 1 shows how these limits and the corresponding

actual average expenditures per Senator have changed over the past five years. Approximately 96 percent of the actual expenditures are for salaries.

The State Auditor's Office conducted a payroll and personnel audit of the Senate in 1992. The audit found that "all employees receiving compensation from the Senate do exist. However, due to the lack of normal personnel controls" it was not possible to determine if employees were paid appropriately or were working when and where they were supposed to be. Aside from requiring employees to complete time sheets in order to accrue vacation or sick leave, the Senate has not addressed any of the human resources findings in the previous audit report. The same risks and control weaknesses still exist.

Section 5-A:
Improve Accountability Over Human Resources

Good human resources management requires good information. Time sheets are a means of collecting some of that information. While the Senate has a time sheet system, it only requires documentation of hours worked in excess of 40 and any leave time taken. It does not require any breakdown between cost centers. Time sheets are not always accurate or complete. Leave policies, some of which are Senate-wide and some of which are established by individual Senators, are not consistently administered.

This lack of documentation makes it difficult, if not impossible, to ensure that employees are working when and for whom intended. It also makes it difficult to determine the total time actually being spent on Senate business. While it may be desirable to give individual Senators discretion over the management of their employees, requiring basic documentation need not interfere with this. Requiring basic documentation would also protect the Senate as whole from inappropriate actions taken by individual Senators.

Employees should report actual hours. Since the Senate only requires employees to document hours spent in excess of regular work hours, actual time spent by employees is not documented. This leaves the Senate without accurate information about whether it is getting what it pays for:

- Employees who work part-time for the Senate and part-time on the Senator's private business are not keeping track of actual time spent on Senate business. This leaves the Senators and the Senate open to charges that state employees are being used for personal or political purposes. Although we did not observe any such instances, existing documentation does not provide assurance that they are not occurring.

- Some employees split their time between a Senator's office and a committee. Committees are budgeted separately from individual Senate offices. At present, costs for these employees are allocated between the budgets based upon estimated, not actual, time. Although interviews with various staff members indicate it is more likely that officeholder staff spend time on

committee work than it is that committee staff do work for an individual Senator, we cannot provide assurance that this is what actually occurs.

All time should be recorded. The Senate allows each Senator to establish policies on the accrual and use of leave time. This appears to have created a policy of recording "what is allowed" instead of documenting what actually occurred. Different standards for accrual and use of leave time do not necessarily mean that all time should not be documented. Documentation of actual time is necessary to properly determine whether the different leave policies are being adequately enforced.   The following problems were noted:

- Some offices are working less than 40 hours between legislative sessions but are reporting 40 hours worked and not using accrued leave time for the difference. Most of these offices had hours of 9 to 5 with an hour for lunch – a total of 35 hours per week. To equal 40 hours, employees would have to use 5 hours of leave per week. Five hours per week adds up to 260 hours for one year, which is more leave time than some employees have earned.

- Some employees are working extra hours and not reporting them. As a result, information about how much time it really takes to get the job done is lacking, and determining appropriate staffing levels is made more difficult.

- Some offices have internal timekeeping systems that are separate and different from the official Senate systems. These systems track overtime and compensatory time that has been earned and used, but is never reported to the Senate system. Sometimes only the net transactions for the month are reported to the official system. This could create problems if an employee were accused of attending a political function on Senate time and the time sheet did not show that the employee actually took leave time for the event and made the time up later in the week.

Existing policies should be documented and uniformly enforced. The Senate is not subject to either the federal Fair Labor Standards Act or state leave policies designated in the Appropriations Act. It has therefore established its own internal leave policies and its own definitions for compensatory time and overtime. In addition, it has allowed each Senator, committee, and the Secretary of the Senate to independently establish most leave policies. The resulting policy variations between Senators, and between Senators and central staff, have made enforcement difficult.

The Senate Caucus has established the following Senate-wide policies on leave time:

- Monthly time sheets must be filed with the Senate Personnel Office in order to accrue vacation, compensatory time, overtime, or sick leave.

- Compensatory time and overtime earned in a given month must be used by the end of the same month of the following year.

- No compensatory time or overtime will be paid at either the end of the fiscal year or at an employee's termination.

The Employee Personnel Policy Handbook establishes leave policies for Central Administration staff. Each Senator has the right to establish his or her own policies for the accrual and use of leave time, including caps on the accrual of compensatory time and overtime, and many have. Most Senators' policies are not documented.

Central Administration is not set up to monitor these individual caps and individual offices vary in their ability and willingness to do so. As a result, existing policies are not uniformly enforced. For example:

- Several employees show accrued leave time in excess of limits.
- Employees report that some Senators have different leave policies for different employees.
- Employees are taking leave time not officially accrued under Caucus rules.

Variations in leave policies cause other problems as well. Employees inevitably make comparisons. The variation in leave policies also causes problems when employees switch Senators. Which caps apply? Are carryovers allowed?

According to our audit of all Senate and committee offices, 28 offices are essentially using the same leave accrual policy as the central staff. Only three Senators did not allow any accrual of overtime and some have established caps. The Senate may wish to consider standardizing the rules for leave accrual to simplify administration and improve consistency and enforcement. As long as individual Senators retain the right to approve the use of leave time, standardizing these rules should have a minimal effect on officeholder operations.

Recommendation:

Improve accountability over human resources by improving documentation and standardizing some policies as follows:

- Require employees who work for a Senator and a committee to record the time worked for each.
- Require employees to record actual hours worked.
- Consider establishing uniform rules for the accrual of all leave time.
- Allow individual Senators to retain control over the use of accrued time.

Section 5-B:
Review Staffing Levels; They May Be High in Some Departments

Determining appropriate staffing levels for the Senate's administrative functions is difficult due to the cyclical nature of Senate operations. Many more staff are needed during the session than during the interim. However, professional-level employees are difficult to retain on a seasonal basis. Some level of over-staffing may be necessary to retain expertise. We found indications that some functions may be over-staffed.

Figure 2

Materials and Supplies Consumed

Per FTE

Source: Agency Print Shop Records
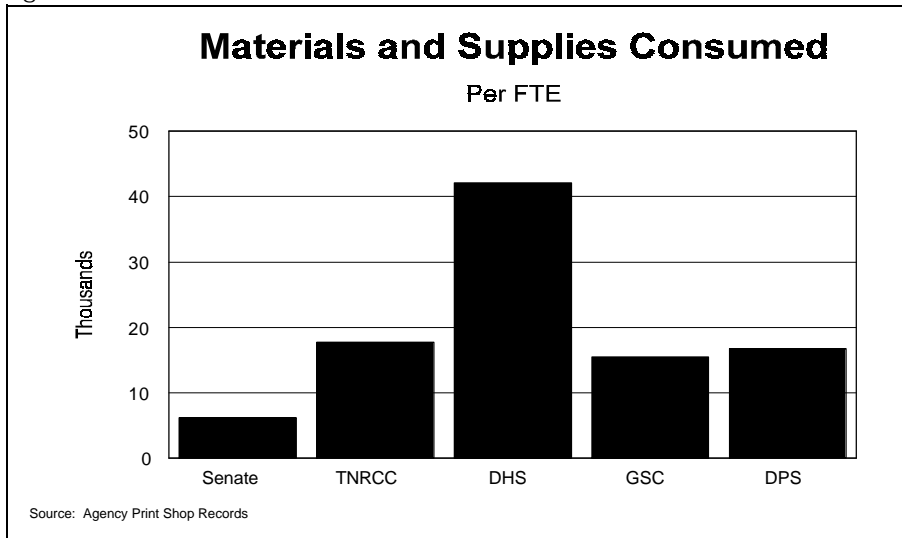
Further study is needed to determine if reductions can reasonably be made. The Senate may also wish to review staffing levels in all of its major departments.

Review staffing levels at Senate Personnel. The number of staff in the Senate Personnel office appears high compared with personnel offices of comparable agencies. We surveyed seven other state agencies with comparable staff

composition and size to determine:

- The number of employees they had in their personnel offices
- The kinds of functions these employees performed
- How many employees the agency hires annually
- Pay grade and title of personnel staff

Two of the agencies surveyed appeared to be most similar to the Senate. These agencies had one personnel office employee for every 89 and 123 agency employees, respectively. Senate Personnel (including payroll administration) employs one person for every 74 employees. Furthermore, Senate Personnel does not carry out some of the tasks performed by these other personnel offices. Essentially all of the searching, screening, and hiring processes (except for the paperwork) take place outside of Personnel, in individual Senate and committee offices. The Senate does not have a formal appraisal system for Personnel to manage and monitor. Until recently, the training functions carried out by Personnel were also very limited.

Review staffing levels in Senate Reproduction Department. The Reproduction Department maintains a year-round staff of approximately 20 employees, but does most of its work during the six months of regular session and the period immediately following the regular session. Using inventory usage as a measure of productivity, we compared the Senate's Reproduction Department with four other government print shops in the local area. The four shops are consolidated print shops formed as a result of a major study by the Council on Competitive Government. The analysis assumed that all inputs were converted to useful outputs. Preliminary analysis indicates that the other print shops consume more materials and supplies per print shop employee than Senate Reproduction Department does (see Figure 2).

To determine whether the reproduction department resources are being fully utilized, we looked at monthly billings for fiscal year 1995. (All jobs, both internal and external, are billed.) Billings varied from a low of $2,500 in December 1994 to a high of $33,000 in July 1995. The average billings were $10,500 per month. (See Figure 3.) The number of employees, however, stayed constant. This appears to indicate that the Senate Reproduction Department is not adjusting its work force to meet its workload and may not be operating at peak efficiency.

Recommendation:

Review staffing levels for all major Senate Departments. Consider the following:

- **Workload indicators and trends**: Is staffing reduced when the workload goes down? If so, is it by a reasonable amount? If not, why? Have temporary workers or outsourcing been considered for peak periods? If so, how are cost/benefit calculations made? If not, why?

- **Capacity**: What information is available about how long standard tasks take? How does this compare to similar agencies? How many tasks can the current staff theoretically accomplish? How does that compare to tasks actually accomplished? Do any task backlogs exist? Can they be eliminated by existing resources within a reasonable time?
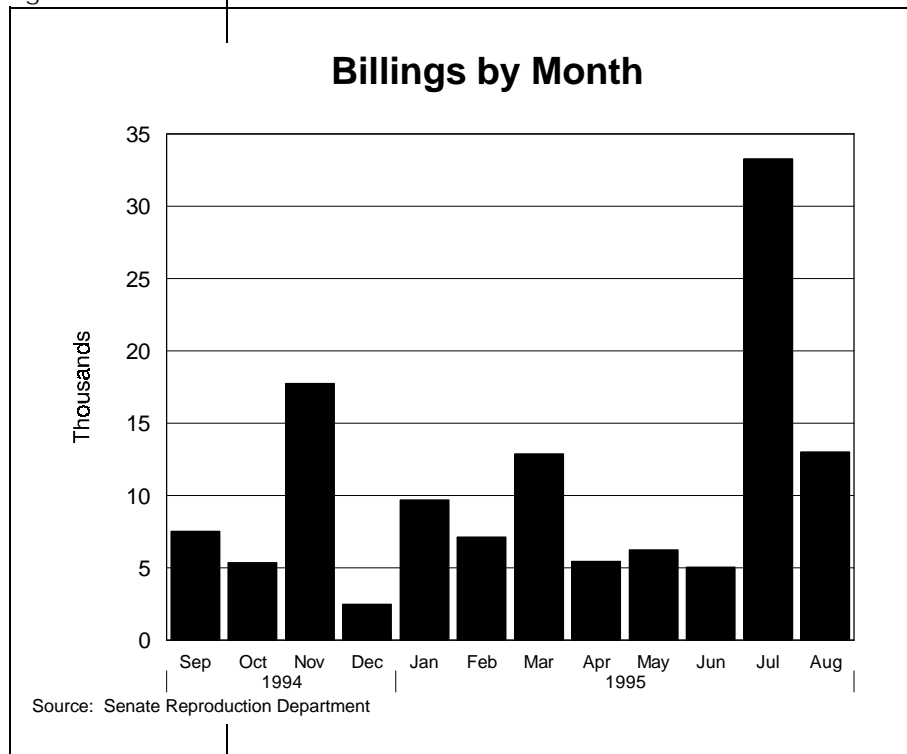
- **Quality considerations**: Are tasks completed as specified and within the time frame needed by the customer?

- Adjust staffing levels as appropriate.

Figure 3

Billings by Month

Source: Senate Reproduction Department

Section 5-C:

Clarify and Enforce Central Administration Compensation Policy

The current policy for determining Central Administration salaries,

merit increases, and promotions is unclear. Central Administration reports that it intends to voluntarily comply with state classification guidelines although it is not required to do so by either Senate policy or state law. In most cases, when an employee is hired, the job title and salary appear to comply with the classification guidelines. In some cases, however, the salary exceeds state classification guidelines. Raises and promotions, on the other hand, are not being made according to generally accepted procedures, and/or some classifications are not correctly adjusted as promotions occur. As a result, the job titles and salaries of some employees who have been with the Senate 10 years or longer do not appear to be in compliance with classification guidelines. One employee, for example, is earning $54,000 when the maximum rate of pay for that job title is $42,500.

Better documentation is needed for promotions and raises. Raises and promotions are recommended by the Secretary of the Senate and her department heads. A standard form is used. However, the form does not include any support for the request. State agencies are required to document support for salary adjustments. Raises and promotions proposed by department heads are reviewed and signed by the Secretary of the Senate. Raises and promotions proposed by the Secretary of the Senate are informally reviewed by the Senate Administration Committee but are only signed by the Secretary of the Senate.

Recommendation:

The Senate Administration Committee, with the assistance of the Secretary of the Senate, should:

- Establish a compensation policy for Central Administration staff.
- Apply it consistently to all Central Administration staff.
- Document and approve all promotions and increases.

Section 5-D:
Consider Creating a More Formalized Compensation System for Senate and Committee Staff

Salaries for Senate staff are set at the discretion of the Senator. A Senate Resolution establishes a cap on total employee salaries and travel allowed per Senator. The current cap is $24,685 per month. In addition, individual committee employees cannot be paid over $5,000 per month without the approval of the Senate Administration Committee. Committee staff salaries are included in budgets submitted to the Senate Administration Committee. No other guidelines exist to assist Senators in determining reasonable salary ranges for staff.

The lack of a structured compensation system creates some problems and risks:

- The Senate cannot provide assurance of equal pay for equal work.
- The Senate may be inadvertently underpaying women and minorities.

- The Senate does not have a mechanism for uniformly reviewing and adjusting salaries according to external markets.
- No formal career paths exist.

A structured compensation system also provides benefits. Such a system would give both the committees and Senate Administration better information about what kinds of expertise are needed to run a committee and how much it costs. This information could be used to develop and review budgets.

Some Senators object to a structured compensation system because they believe it would unduly restrict their ability to select and retain the best people to run their offices. But we also found that a number of them had misconceptions about what a compensation system is and does. For example, they thought that a formal compensation system would require all employees with the same kind of job, like attorneys, to be paid the same salary regardless of the complexity of their job duties and their ability to carry them out. The State has six classifications for attorneys, with annual salaries ranging from $25,140 to $51,864. Higher salaries are allowed for certain exempt positions. All general counsel currently employed by the Senate fit within this existing structure.

Additional research and education are needed before an informed decision can be made. To begin this process, we surveyed the staff of four Senate committees about their job duties, titles, and pay. We also obtained information about compensation systems recently developed by National Council of State Legislatures for other state legislative bodies. This information was used to create a list of job categories for committee staff that could be used to begin a discussion on the feasibility of designing an actual compensation system. See Appendix 3 for this analysis and a list of the reports available from the National Council of State Legislatures and others.

Recommendation:

The Senate Administration Committee should consider conducting a study of actual legislative compensation systems and how they work. This study could be conducted by the Personnel Department, the State Classification Office of the State Auditor's Office, an outside consultant, or some combination of these. This information could be provided to Senators so that a more informed decision can be made regarding the cost and benefits of developing a formal compensation system.

Section 5-E:
Implement a Comprehensive Training Program

The Senate needs a more advanced and comprehensive training program to make better use of its human resources. Many courses are already conducted:

- The Legislative Council conducts computer training.
- A training manual for committee clerks has been prepared.
- An orientation is given before the session to new Senators.

• A manual is provided on the Senate's office procedures.

However, existing training focuses primarily on administrative services and how to obtain them. It is also generally conducted at the Capitol at the beginning of the session. Very little, if any, training is provided at the district office sites.

As a result, Senate employees may not have not have ready access to all the knowledge they need to do a good job. Training is particularly important for professional level employees and in situations where the environment is rapidly changing, both of which are the case at the Senate. Training is also a means of ensuring understanding and maintaining consistency when an entity is trying to make entity-wide improvements. For example, the Senate will not be able to improve its information management without more extensive training.

Determine training needs. Until recently, the Senate did not have a process for determining the training needs of employees. The new Director of Personnel is currently working on an assessment.

Expand the topics covered. Improvements are needed in training available for Senators' capitol and district offices and committee staff. We heard numerous requests for information and/or training on the following topics:

• How to set up a district office
• Strategies for handling casework, including suggested forms, helpful databases, etc.
• An introduction to the various state agencies and how best to obtain information about them and/or from them
• The legislative process and the role of various employees and Senate departments in that process
• Employment regulation training, particularly with regard to hiring practices
• Expanded training for committee clerks

Make training available at district offices where cost effective. We also received requests for training at the district office sites. Many of the offices are reluctant to spend the funds to send several employees to the Capitol for training. In some large metropolitan areas such as Dallas or Houston, there should be enough employees to make off-site training cost effective. As of August 14, 1995, about one-half of the approximately 250 persons employed by Senate and committee offices were located in district offices.

Track and monitor training. The Senate does not have a means for tracking and monitoring training. Senate Personnel has begun meeting with the Legislative Council to develop the needed technology.

Recommendation:

Expand and improve the current training program to meet user needs. This process includes the following steps:

- Identify training needs. Consider both the needs of individuals and the needs of the Senate to improve the quality and consistency of employee skills.
- Develop courses and/or identify external providers. Consider existing training available through other state entities. The National Conference of State Legislatures has training programs for legislative staff.
- Conduct/attend courses.
- Measure and evaluate performance of courses.
- Adjust training program as needed.

Management's Response to Section 5:

SENATOR CHRIS HARRIS: (Attachment 1)
We essentially agree with this recommendation. The Committee will consider reviewing staffing levels for all major senate departments. The recommended review of staffing levels in the Senate Reproduction Department is underway. The comprehensive training program you recommended will be underway in time to be of benefit for the 75th session. While a logical initial focus would be as a service to new senators, new chairmen and their staff, the requested topics you listed will be made available to all staff. (Topics requested during your interviews were setting up a district office, casework strategies, introduction to state agencies, role of individuals and departments in the legislative process, employment practices, and expanded training for committee clerks.) The measurement and evaluation of course performance, adjusting the course curriculum, and developing additional courses can be underway following the 75th session.

SENATOR MIKE MONCRIEF: (Attachment 3)
We essentially agree with this recommendation. The Senate Administration Committee will review staffing levels for all major senate departments and make adjustments, as necessary, to ensure effective and efficient use of human resources. In addition, a comprehensive review of current policies and practices with regard to accountability for human resources will be conducted and uniform policies and procedures established. The recommended review of staffing levels in the Senate Reproduction Department is currently being conducted. The Senate Administration Committee, with the assistance of the Secretary of the Senate, will review current compensation policies for Central Administration staff and make necessary adjustments to insure that the policy and its application are consistently applied and that such actions are properly documented.

With regard to the recommendation to establish a formal, structured compensation policy for all senate office and committee staff, the Senate Administration Committee, with the assistance of the Secretary of the Senate, will review existing procedures and made recommendations to the Senate Caucus for its consideration.

The comprehensive training program recommended by your staff is currently being developed and will be in place prior to the 75th Session. Although the initial focus of the revised training program will be new members and their staff, the training program will be made available to all members and senate staff. A system to measure and evaluate course performance, adjust curricula, and develop additional courses

will also be incorporated as a component of the comprehensive training program although these components may not be fully developed prior to the 75th Session.

Planning Ahead Would Allow for More Informed Fixed Asset Decisions

The Senate currently complies with State Property Accounting guidelines, which generally require controls over assets individually worth more than $1,000. However, the Senate's unique operating environment creates the need for a more extensive fixed asset management system than is required by these guidelines. The following environmental factors increase the risk of loss or misuse of fixed assets:

- The number and location of offices and personnel is constantly changing.
- Furniture location frequently changes.
- Those responsible for oversight of fixed assets also have the authority to acquire assets.
- Over $1,000,000 in furniture, equipment, and vehicles has been recently acquired as a result of the Capitol restoration and extension.
- Additional changes will occur in conjunction with the remodeling of the Sam Houston Building.
- Twenty-two percent of the Senate's fixed assets are under $1,000. Their average value is $682.

Section 6-A:
Centralize and Coordinate Planning for Fixed Assets

The Senate does not have a process for periodically determining its fixed assets needs and developing a plan for fulfilling those needs. The absence of such a plan makes it hard to ensure that only the assets that are most needed are acquired, that they are acquired at the lowest possible cost, and that unneeded assets are disposed of properly.

The current process for acquiring fixed assets is decentralized and structured to react to needs expressed by individual Senators. When these needs are limited, this system works fairly well. But when the needs are greater, as was the case during the recent Capitol expansion and renovation, the lack of Senate-wide asset planning and decision-making can create problems and result in missed opportunities.

Collect and evaluate information on fixed asset holdings and needs. The Senate lacks the information to identify competing fixed asset needs and a process to evaluate or prioritize those needs. Consequently, it may not purchase the highest priority assets. For example, in fiscal year 1995 the Senate purchased approximately 130 lateral file cabinets to replace existing vertical file cabinets, for a total cost of approximately $65,000. Yet some district offices reported that they needed furniture, and the Senate still does not have a fireproof cabinet in which to store committee meeting tapes that have not been transcribed. Also, the Senate purchased over $21,000

in new furniture for committee offices during the last session, $13,000 of which was for large desks and credenzas. These committee offices will be moved into modular furniture after the Sam Houston Building is remodeled. Although some regular furniture will still be used after the remodeling, chances are that much of the existing committee furniture will no longer be needed. It may have been less costly to lease any furniture needed by the committees until the move.

Develop a comprehensive fixed asset acquisition plan. Without an acquisition plan, the Senate may be purchasing assets it already has on hand, missing discounts on larger volume purchases, and/or purchasing assets that would be cheaper to lease. Support Services has a policy that requires warehoused furniture to be used before additional items are purchased. It also has procedures for obtaining the best price on the furniture that is requested. However, it does not currently have a process for obtaining larger discounts by projecting purchases and buying in bulk. In addition, although decisions about whether to lease or buy appear to be made with reasonable care, they are not documented or periodically reviewed. As a result, a decision to lease, which was appropriate at the time, might no longer be in the Senate's best interests due to changes in technology or market price.

Include holding costs in disposal plans. Without a disposal plan, the Senate may incur additional costs to hold assets that will not be used in the foreseeable future. As of October 31, 1995, the Senate warehouse contained more than $397,000 (original cost) in used furniture. Since the capital and committee offices recently upgraded their furniture, it is unlikely that they will need or want much, if any, of this furniture. The district offices have not been surveyed to determine if they need the furniture. It is unlikely that they will need it all. In that case, the excess furniture should be disposed of to avoid holding costs. The Senate warehouse costs approximately $213,000 per year to run – $54,000 for rent and utilities and $159,000 for salaries. A portion of these costs are required to maintain basic services. The rest, however, relate to the assets being held and could be reduced if excess assets were reduced.

Recommendation:

See Section 6-B. This recommendation has been combined with the recommendation for Section 6-B.

Section 6-B:
Improve Controls Over Fixed Asset Management

Asset purchasing decisions have been largely delegated to the Senators. However, controls over these decisions are limited. While we did not find any evidence of unreasonable acquisitions or missing furniture, the existing controls over some items are such that it is not possible to tell if items are missing or who last had them.

Establish fixed asset budgets. Fixed asset purchases are not budgeted, either for individual Senators or for the Senate as a whole, although informal limits exist on the amount that can be spent on a particular type of furniture. The Secretary of the Senate

and the Senate Administration Committee review the purchase requests and have the authority to disallow them. However, they have a very limited amount of information available to use in approving or denying these requests.

Report and monitor expenditures in more detail. The total amount spent on asset acquisitions cannot be easily determined from current expenditure reports. Many of the purchases are included with expenditures for supplies and materials, and none of them are charged to individual Senators. Consequently, it is also difficult to determine how much any one Senator or committee has spent. We summarized a list of furniture received in fiscal year 1995 and found that expenditures by veteran Senators varied from a low of $577 to a high of $22,600. Freshman Senator expenditures varied from $4,189 to $31,455.

Add some assets under $1,000 to the controlled asset list. Until recently, the Senate only tagged and inventoried assets over $1,000. Consequently, it was very difficult to determine what assets individual offices had. Although this practice complied with state property guidelines, it did not fully consider risks specific to Senate operations. In addition, the Senate did not have a comprehensive list of the items in the warehouse, even though the book value of these items was over $397,000.

<u>Recommendation</u>:

The Senate needs to become more proactive in managing its fixed assets. It should consider adding the following items:

• Develop a fixed asset plan:
- Survey Senators and administrative support divisions to determine what assets are needed for the next budgeting period (which could be broken down into interim and session periods as needed).
- Identify any external requirements for additional assets (for example, the State Preservation Board's standards for Capitol furniture).
- Determine what assets are currently held and what their condition is, including items currently held in the warehouse.
- Compare the needs assessment to the inventory to identify deficiencies and/or surpluses.
- Determine how the deficiency and/or surplus will be resolved: exchange surplus items with other state entities, repair the assets, upgrade the assets, purchase new assets, lease new assets, etc.

• Establish policies and procedures needed to implement the plan:
- Establish fixed asset budgets or budget ranges for individual Senators, committees, and administrative support divisions based upon the plan.
- Formalize the limits on the quality of the items that can be purchased.
- Establish a policy about when assets can be updated or replaced.

• Improve the techniques used for decision-making:
- Include holding costs in decisions about whether to keep items in inventory.

- Create a form for analyzing lease/buy decisions and use it periodically to review these decisions.

• Improve the information available on fixed assets and use it to monitor plan implementation:
  - Add material assets under the $1,000 limit to the property inventory as controlled assets. (An informal review of some recent purchases indicates that adding all desks and credenzas would probably cover a large percentage of the dollar value while adding a minimum number of items.)
  - Record assets held and/or purchased by Senators, committees, or administrative support divisions on their expenditure reports, not under General Senate expenditures.
  - Compare budgeted acquisitions with actual acquisitions.

• Periodically review and adjust the plan.

Management's Response to Section 6:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree with this recommendation. For the coming fiscal year, the committee will consider a cap on expenditures for [furniture and equipment] at a substantially reduced level. The listing (beyond the requirements of the State Property Accounting guidelines) of all items in the Senate warehouse, including those worth less than $1,000, has been accomplished. The tagging of each item with an identifying number is underway.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. For the coming fiscal year, the Senate Administration Committee will consider a cap on overall expenditures for furniture and equipment. In addition, the Committee, with the assistance of the Secretary of the Senate, will develop a plan for periodic review and needs assessment for fixed assets, as well as a disposal plan for excess assets.

A comprehensive listing of all items in the Senate warehouse, including those valued at less than $1000, has been completed. The Senate is currently developing a tagging system which will provide a unique identification number for fixed assets. As part of the overall fixed asset plan, an improved monitoring and tracking system will be established.

SENATOR FLORENCE SHAPIRO: (Attachment 5)
Suggested response: We agree with this recommendation. For the coming fiscal year, the committee will consider a cap on expenditures for (furniture and equipment) at a substantially reduced level. The listing (beyond the requirements of the State Property Accounting guidelines) of all items in the senate warehouse has been accomplished. The tagging of each item with an identifying number is underway.

Develop Guidelines for the Use of Employees, Contracts for Services, and Retainers

The Senate employs many people in various capacities. Some are employees, some are self-employed and contract with the Senate to provide specific services, and some are experts who are paid retainers to provide information as needed. All of these arrangements can work well if they are appropriately managed. The Senate's process for managing these arrangements needs to be better defined and controlled.

Correctly categorize individuals providing services. The Senate appears to have wrongly categorized the employment relationship between itself and individuals providing services in several instances. For example:

- Some Senators have made monthly "contract" payments to what appear to be part-time or temporary employees. The amounts involved were not more than $500 a month per person.

- One person is being treated as an employee, however, he has no required minimum hours and simply writes speeches as needed.

- One person is a full-time Senate employee and also works part-time as an independent contractor for a committee during the legislative session.

Correctly categorizing these employment relationships is important for several reasons. First, the employment category determines whether payroll taxes are withheld and paid to the Internal Revenue Service. If taxes should be paid and are not, the Senate is liable not only for the taxes that should have been paid, but also penalties. The Internal Revenue Service is authorized to charge penalties of up to 100 percent. Second, the employment category determines the types of controls necessary to adequately manage the employment relationship. Relationships that are wrongly categorized will not be appropriately controlled.

Develop guidelines which define categories, and establish specific controls for each. The existing guidelines are not sufficient to ensure that these employment relationships are correctly managed. The Senate needs to establish clear definitions for what constitutes an employee, a contract for services, or a retainer. Each category should have minimum controls that are tailored to the needs of that category.

The Texas Senate Office Procedures Manual describes procedures to be followed if a Senator wants to "temporarily employ a person on a contract basis." These procedures serve to document the transaction. The Senate Administration Committee has also established some guidelines which must be followed by committees who wish to pay consultants. These guidelines require the contract to specify the services to be delivered. They also require monthly work progress reports and completion of the project prior to final payment. We found no additional guidelines in the Senate policies we reviewed.

<u>Recommendation</u>:

Expand and improve the guidelines over different employment relationships. The following information was summarized from criteria for contracting developed by the State Auditor's Office:

Contracts for Services

- What are they?
  - Agreement with an independent contractor to pay a fixed amount for a specific deliverable provided within a specific time frame, usually a written report, briefing, or other services. Can also be structured to pay a specified amount per hour up to a maximum amount rather than as a fixed amount.

- When should they be used?
  - Lack of in-house expertise
  - Need for service is temporary

- What controls are needed?
  - Contract should specify product to be delivered, delivery date, and amount to be paid. Terms should be specific enough to be enforceable.
  - Interim milestones should be established so that contract can be monitored to determine if it is on track.
  - Make sure all persons being paid in this manner are independent contractors under Internal Revenue Service employment regulations. Generally refers to someone who controls when, where, and how they complete a task and also provides similar services to other entities.

Retainers

- What are they?
  - Agreement to pay a fixed monthly amount in return for specialized expertise or services provided as needed. May specify a minimum and/or maximum number of hours to be provided monthly.

- When should they be used?
  - Lack of in-house expertise
  - Need for service is sporadic
  - Cost to develop and maintain in-house expertise is more expensive than retainer

- What controls are needed?
  - Determine service provider's usual hourly billing rate. Is it comparable to others with similar expertise?
  - Document date and type of requests for information. Consider asking provider to document number of hours worked.

-        Periodically compare amount paid to services provided to determine if retainer is still cost effective.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree with this recommendation. Prior to the 75th session, the committee will consider expanded and improved guidelines for contracts for services and retainers, based upon the criteria developed by the State Auditor's Office.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. Prior to the 75th session, the Senate Administration Committee will consider expanded and improved guidelines for contracts for services and retainers, based upon the criteria developed by the State Auditors Office.

Section 8: RESOURCE MANAGEMENT - MISCELLANEOUS EXPENDITURES
Some Opportunities for Savings Were Identified

During our review of Senate operations we noted a number of opportunities for reducing costs or increasing revenues:

•   Bulk mail is being trucked to Dallas to obtain additional discounts. The amount saved as of October 4, 1995, was approximately $5,000. However, the Senate could save approximately $100,000 annually by adding additional digits to the ZIP code on the mailing labels for newsletters. The additional digits, which can be obtained from private sources or from label generation software, would qualify the Senate for a lower mailing rate. The Secretary of State's office, which provides voter mailing lists and labels to those Senators that request them, is looking into upgrading its labels to provide this service but has not yet done so. This savings estimate does not include the one-time cost for software needed to generate the labels.

•   The print shop could generate additional revenues by establishing a full cost pricing system. Its current pricing structure appears to be below cost for some services. For example, the Texas Natural Resources Conservation Commission print shop charges $48.10 per hour for bindery services. The Senate print shop charges $12.80. The bindery services of the two print shops may not be completely comparable. However, the difference is large enough to warrant further investigation. Guidelines for establishing pricing structures for print shops are available from the Council on Competitive Government.

•   The supplies inventory in the print shop turns over approximately once a year. Although bulk purchases do save money, the print shop should also consider the interest lost to the State by buying and holding these inventories for

extended periods. The current inventory of $135,000 costs the State $6,750 in lost interest annually.

- Bulk postage is sometimes paid months in advance. Decreasing the time between payment and usage would save the State money by leaving those funds in the state treasury to earn interest until needed. During the most recent interim and session years, the Senate paid approximately $600,000 and $230,000 in bulk postage, respectively. $830,000 in postage prepaid for one month at five percent costs the State $3,460 in lost interest.

- Some employees may be unable to get state rates on air travel because they don't have state-issued charge cards. Approximately $50,000 was charged to public transportation by staff in fiscal year 1995. We were not able to determine how much of this was at the state rate. Assuming a one to five percent discount for the full $50,000, use of the state charge cards would save $500 to $2,500 annually. The cards are free to the State.

- Currently all office supplies are issued out of Austin. This means that a district office must either have an employee pick up the supplies while in Austin or have supplies shipped via bus. Although this does not appear to be unduly inconvenient, the cost to ship some supplies, particularly bulk paper, may more than offset discounts for bulk purchases. In addition, some Senate offices expressed a desire to support their local economies.

We also noted an area where controls need strengthening. Controls over cash receipts in Staff Services need to be expanded. The Secretary of the Senate has taken steps to improve these controls.

Recommendation:

Review the above opportunities and determine what savings are possible and what costs may need to be incurred to implement the change. Implement those changes that will result in overall savings. Monitor to determine actual savings.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree that opportunities exist for savings. Steps finished in this regard include completion of a comprehensive plan for mail cost savings and a thorough consulting study of print shop operations. Across-the-board improvement in preparation of bulk mailings could bring savings even greater than your estimate. Steps planned include the implementation of the savings plan for mail costs and management responses to the results of the consulting study. It is likely these improvements can be in place before the 75th session.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree that opportunities for savings exist. We have completed the following with regard to this recommendation:

*   *Conducted a comprehensive assessment of mail costs and developed a plan for across-the-board improvements in the preparation of bulk mailings.*

*   *Conducted a study of print shop operations.*

We plan to implement the cost-saving measures identified in these reviews prior to the 75th Session, as well as review other recommended areas to determine if additional cost savings can be achieved.

Section 9: PERFORMANCE MANAGEMENT

Focus on Efficiency and Effectiveness in Addition to Customer Service

The primary focus of Senate administrative support services is making sure that individual Senators, committees, and their staff get what they need when they need it. Based upon our interviews with staff at district, capitol, and committee offices, this customer service focus has resulted in a high degree of customer satisfaction with administrative support services. The Secretary of the Senate also continues to identify opportunities to make Senate operations more efficient and effective. However, improved performance measurement might provide a more comprehensive and accurate means of identifying improvements that can be made.

Central Administration has a customer service focus. The Secretary of the Senate and her employees received many compliments for their accessibility and responsiveness. Senate staff reported that phone calls were promptly answered and returned, questions were answered, and helpful information was provided. Many said that if they did not know what to do or where to turn they called the Secretary of the Senate and she and her staff assisted them.

Increase information available to monitor and adjust support operations. The various departments in Central Administration regularly provide written reports to the Secretary of the Senate. These reports contain information about current operations. For the most part, however, the information relates to the workload for the department and how much output was produced. This is useful information. However, it is not sufficient to determine if operations are efficient or effective. We noted some areas where additional information might help identify some specific opportunities for streamlining operations:

*   The mailroom currently makes five trips daily to each Senate and committee office. This seems like it might cost more than it is worth. However, information on the amount of mail collected and delivered on each trip is not available. We also do not know how long, on average, it takes to sort incoming mail and meter outgoing mail. This information would allow the

Senate to more appropriately staff mail room operations and determine how many trips would be most efficient.

- The Sergeant-At-Arms keeps an errand log that tells what time the request was made, what the request was, and who ran the errand. However, the log does not state when the errand was run. When compared to the time the request was made, this information would provide a better measure of timeliness from the customer's viewpoint. In addition, there is little information on how much employee down time occurs between errands. This information would allow the Sergeant-At-Arms to determine optimum staffing levels.

Recommendation:

Continue to focus on customer service and improving operations. Review and adjust the existing performance measurement system to provide additional information as follows:

- Inventory existing performance measures.
- Identify the performance measures by category: input, output, efficiency, or outcome measures.
- Add additional measures for categories not currently covered, as appropriate.
- Monitor new performance measures and use them to adjust operations, as appropriate.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree with this recommendation. As you properly described, accessibility and responsiveness are trademarks of the services provided by the Secretary of the Senate. The careful application of selected performance measures must be carried out so this level of service is maintained while using new information on efficiency and effectiveness. The development and implementation and refining of these performance measures will probably have to be scheduled after the 75th session.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. The primary role of central administrative support services, as you noted, is to ensure that members and their staff have the appropriate tools to perform their jobs and that they have those in a timely manner. The hallmarks of the Secretary of the Senate and central staff have been accessibility and responsiveness. To enable them to maintain more effective and efficient levels of operation in the Senate, we will refine existing controls and performance measures.

Manage Information As Well As Technology

Information plays a pivotal role in Senate operations. Information is needed to monitor agencies and implement legislation. Constituents' needs are often met by providing them with information. The accuracy and reliability of the information available, as well as its timeliness and accessibility, affect the ability of the Senate to do its job well.

The Senate recently commissioned a review of its use of information management technology. The upgrades recommended in the report will be an improvement. However, they will primarily serve to automate some of the Senate's existing functions. Employees will be able to send e-mails between district offices rather than phone, fax, or express mail. The upgrades will not change the Senate's basic information management philosophy.

The Senate's approach to information management has been largely decentralized. Each committee and each Senate office develops its own information resources. Committees collect information of a topical nature and provide it to interested parties, including individual Senators. Within Senate offices, individual employees may develop their own information resources and may not share them with others. As a result, the information obtained is only as good as the information management skills of the individual obtaining it. Furthermore, when that employee leaves, expertise may be lost. In addition, the development of all these different, but parallel, information systems is expensive.

The following suggested changes to the Senate's information management process would allow each Senator and his or her employees to be aware of and have access to the information resources that have been found to be most helpful. This should result in improvements to the overall quality of the information available to the Senate and its constituents.

Determine the information needed and identify the best resources for providing it. The methods by which Senate and committee staff obtain the information needed to provide constituent or legislative services vary greatly. Some of these methods are much more efficient and effective than others. Some employees said that the most reliable way to obtain information was to pick up the phone and keep calling the appropriate agency management until they provided the needed information. Others used Senate Research. Many were unaware of existing information sources such as Windows On Government. Some conducted manual searches of clippings and periodicals and were unaware of computerized search software such as the clipping database at the Legislative Reference Library. The Internet also has some sites, such as the Electronic Policy Network, that provide access to information from various policy research organizations.

Creating a catalogue of information resources and making it available to staff should improve the quality of the resulting information and decrease the time and effort it takes to obtain it.

Share information among offices and departments. Information obtained by individual employees is not routinely shared with others, except perhaps within the same office. Consequently, the same state agency may get numerous calls about the same issue from various Senate offices. Or one staff member may research an issue and then quit to work elsewhere. A subsequent staff member may research the same issue again. Senate Research, however, does organize its activities by issue area and keeps information on previous reports to minimize duplication within its group.

Improved information sharing should reduce duplication of effort by multiple offices. It should also result in more consistent information being provided on the same topic.

Analyze shared data and use it to improve the legislative process. Since very little data sharing and documentation goes on, information obtained by individual offices or committees is not readily available for analysis at the agency or issue level. As a result, it is difficult for an oversight committee, for example, to readily tell what kinds of and how many problems constituents have had with a particular agency.

An analysis of constituent complaints about a particular program might yield valuable information for use in evaluating an agency's request for additional program funds.

Obtain the technology needed to support the information management process. A team from the Department of Information Resources recently reviewed the Senate's use of technology and suggested several upgrades. Their assessment agrees with the needs noted during our visits to various district and capitol offices:

- Provide more computers
- Provide more LAN hook-ups
- Provide more printers
- Improve printer installation so multiple print jobs do not cause printer failure
- Upgrade software
- Improve the search function so employees can search all bills by keyword

Recommendation:

Review the Senate's management of information as well as its management of information technology. The review should include the following steps:

- Identify what key information is needed by users.
- Determine the resources available to provide the needed information.
- Develop and implement a system for getting the information from the resource to the user. This may not require technology. For example, a simple list of important information resources and what kinds of information they provide would be helpful.
- Consider collecting and analyzing Senate-wide information on constituent concerns.
- Integrate the results of the information management review with the plan for updating the Senate's technology.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree with this recommendation. Operational considerations will be taken-up following the 75th session. Commonly used information could be centralized to some degree, but the opportunity may be somewhat less than in conventional business or agency applications to allow for the independent purposes of each senator. The cataloging of information resources has real potential for staff to obtain more and better information under close deadlines.
Installation is underway of the needed office automation hardware and software noted during your visits to various district and capitol offices. This enhancement, including the use of a new shared network to connect district offices, is scheduled for completion by October 31, 1996.

The recommended review of the Senate's management of information can be based on the technology needs analysis conducted during the fall of 1995. This expanded review of information needs can be scheduled following the 75th session, along with the review of necessary technology upgrades.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. Based on the recommendation from the review of the Senate's information management technology, installation of new office automation hardware software in both Austin and district offices is in progress and will be completed prior to the start of the 75th Session. The new shared network system will aid members and staff in communicating information more efficiently and effectively.

Recommended changes in other facets of the Senate information management system will be reviewed following the 75th session. A careful analysis of current practices and potential modifications to the system needs to be made to ensure timely access to accurate information. A centralized information system for commonly used sources and the recommended cataloging of information resources has merit and will likely be implemented. A component of the enhanced training program will include information regarding available resources and how to access them. The opportunity to consolidate other information sources is significantly reduced in the Senate due to the nature of the agency and the need for independent operations in individual offices.

Section 11: OPERATIONS MANAGEMENT

Sharing May Allow a Higher Level of Overall Service Quality

Although all Senate and committee offices use central staff services, individual office operations are controlled by individual Senators and committee chairs. This structure is intended to allow Senators the widest latitude in implementing their constituents' mandates. However, philosophical independence need not necessarily require complete operational independence. Good business practices are nonpartisan. We identified a few opportunities to improve overall service delivery by sharing resources and techniques among Senators.

Consider centralizing some aspects of constituent services to improve service delivery and increase information available for legislative activities. At the present time, each Senator's staff provides constituent services independently. Although some staff members use the services of Senate Research to obtain information, they are not required to do so.

At least one state legislature has created a central office for providing information needed to meet constituent requests. In that state, the Senator's staff takes information requests from constituents and forwards the requests to the central information office. The central office obtains the information, provides it to the Senator's staff, and a staff member calls the constituent. The advantages of a central system are:

- Central office staff could develop expertise in specific issue areas.

- Central office staff could develop working relationships with agency staff, minimizing the disruption to the agency.

- A database on Senate-wide issues could be developed and used for budget and legislative hearings.

- Senate staff leave and turnover would have less impact on the Senator's ability to get information.

In addition, if the information obtained by central office staff about issues, contacts, etc. were kept on a database accessible to all staff, it could be used to quickly address previously answered questions. We anticipate that Senators would be able to reduce their office staff by more than enough to cover the staffing of the central information system while at the same time improving the timeliness, quality, and quantity of constituent services.

Collect information on best practices and make it available to all offices. A number of offices expressed interest in knowing more about procedures in other Senate offices. The staff of freshmen Senators, in particular, reported having a difficult time establishing policies, procedures, and forms when they had to start from scratch. At least one experienced Senator met this need by offering informal training to new Senators. Some of these needs can be met by improving basic training (see Section 5-E). However, additional improvements could be obtained by simply creating a means for collecting and sharing existing forms, policies, and procedures. This would reduce both development time and the number of forms the print shop has to set up and maintain. We identified numerous forms, policies, and procedures that would be suitable for such sharing. (See Appendix 4 for some examples.)

Recommendation:

Review the above suggestions. Senate-wide changes will require the support of the Senate Caucus. Best practices information could be easily shared by setting up files and forms in a public directory on the new LAN that is currently being installed.

Management's Response:

SENATOR CHRIS HARRIS: (Attachment 1)
We agree with this recommendation. We are interested in examining the case you cite of the state legislature that has created a central office for providing information needed to meet constituent requests. Making best practices information available to all offices is a logical element in the training described in Section 5 above. Following the 75th session, an appropriate step would be the recommended review of the Senate's management of information as well as technology.

SENATOR MIKE MONCRIEF: (Attachment 3)
We agree with this recommendation. We will certainly review the suggested central office for providing information to enhance constituents services. As part of the enhanced training program described in Section 5, we will also include a component covering "best practices and procedures" so that all offices will have access.

Due to the diversity of the population in this state and the need for flexibility in responding to constituent requests, some degree of decentralization in this area will likely remain to allow members and their staff to respond appropriately as they see fit.

Management's Response

In response to your management audit of the Texas Senate the Senate Committee on Administration offers the following. Upon review of the final draft of your audit report the Chairman drafted a proposed response letter (Attachment 1). He requested edits, additions, deletions, and comments by committee members (Attachment 2). Several committee members wrote in response (Attachments 3, 4, and 5).

The views offered by the committee members have been organized by report section and can be found in the body of the report. While this initial review prompted a range of views, these views were incorporated in a single course of action when the committee met on July 11th. The Chairman designated two subcommittees to respond to the problems identified by the audit report (Attachment 6). Issues identified in the report were divided between the subcommittees. Each subcommittee will develop and implement corrective measures to respond to the deficiencies in your report.

We appreciate the hard work, the professionalism and thoroughness with which your staff conducted this audit. We also appreciate the opportunity to respond to the findings. Both the audit process and this review have been helpful in identifying the policies and procedures within the scope of the audit that need to be revised, as well as areas in which new policies and procedures need to be established. We look forward to receiving the final report.

Objective, Scope, and Methodology

Objective

Our audit objective was to review the Senate's policies and procedures over human resources, fixed assets, and expenditures, as well as the process for developing and maintaining policies and procedures in general.

Scope

The scope of this audit included consideration of the Senate's systems for managing policies, resources, information, and performance. All committee offices, all Senate administrative departments, and the capitol and district offices of all Senators were included.

Methodology

The methodology used on this audit included collecting information, performing audit tests and procedures, analyzing information, and evaluating results.

Information collected to accomplish our objectives included the following:

- Interviews with Senators and Senate employees
- Interviews with the Texas Ethics Commission, various external agency print shops, mailrooms, and personnel departments
- Documentary evidence such as:
  - Senate policies and procedures
  - Senate resolutions and memos
  - Policies developed by individual Senators and committees
  - Personnel files and reports
  - Budget and other financial reports
  - Contracts for leases and services
  - Requisitions
  - Inventory records
  - Travel vouchers
  - Performance and other management reports
  - Forms and memos used to document legislative and constituent services
- Physical observations of:
  - Senate and committee offices
  - Fixed assets in use and in the warehouse
  - Administration Committee meetings

Procedures, tests, and analysis performed included the following:

- Analyzed risk and compared to existing control procedures
- Gained an understanding of the operations of the administrative departments
- Compared employee listings to employees working in offices
- Compared official leave policies with actual leave records
- Analyzed budget and financial records for trends
- Compared training needs to training provided

Criteria used included the following:

- State statutes, including ethics, whistle-blower, and employment statues
- Federal employment regulations, including employment taxes and equal employment opportunity
- State Auditor's Methodology Manual
- Benchmarks from similar operations in state agencies and other state legislatures

Other Information

Fieldwork was conducted from September 1995 through January 1996. The audit was conducted in accordance with professional standards, including generally accepted government auditing standards and generally accepted auditing standards. There were no significant instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's staff:

- Linda Lansdowne, CPA (Project Manager)
- Jesse Ancira, Jr., JD
- Helen S. Baker, MBA
- Michelle A. Duncan
- Deborah Ham
- Valerie D. Hill
- J. Scott Killingsworth, CIA
- Orin Knutson, CPA
- Gilberto F. Mendoza, CPA
- Melinda Nay, CPA
- Barbara S. Hankins, CPA (Audit Manager)

Senate Profile

The Texas Senate is comprised of three basic groups: the Lieutenant Governor's Office, individual Senators, and the administrative departments under the Secretary of the Senate. The Lieutenant Governor and the Senators are elected by the voters. The Secretary of the Senate is in turn elected by all of the Senators meeting as the Senate Caucus.

Legislative and constituent service functions - The Lieutenant Governor is the President of the Senate. He develops legislation, monitors agencies, and provides constituent services through his staff and through various standing and special Senate committees.

Senators are appointed to committees by the Lieutenant Governor. He also assigns charges to these committees. Charges consist of various issues, agencies, and legislation to be reviewed. The committees prepare and present reports on these charges, usually just prior to the legislative session. Each committee is also in charge of reviewing and processing proposed legislation within its issue area.

Individual Senators establish capitol and district offices to develop legislation and provide constituent services.

Administrative functions - Responsibility for managing the administrative functions that support the Senate has been delegated by the Senate Caucus to the Secretary of the Senate (elected by the Senate Caucus) and the chairman of the Senate Administration Committee (appointed by the Lieutenant Governor).

The Secretary of the Senate is responsible for the day-to-day running of the administrative support functions of the Senate. She oversees the various departments that are needed to run the Senate:

- Calendar - custody of bills and preparation of daily agenda for legislative sessions

- Committee Coordinator - schedule and post all committee meetings and hearings, process travel vouchers, administrative assistant to Secretary of the Senate

- Doorkeeper - official admitting officer

- Engrossing and Enrolling - prepare, receive, safekeep, and transmit bills and resolutions

- Journal - prepare printed journal of session proceedings

- Media Services - record sessions and committee meetings and provide other media services

- Payroll - prepare monthly payroll

- Personnel - recruit and hire personnel as requested, prepare and maintain personnel records, and provide an EEO officer and training coordinator

- Post Office - deliver, collect, and process mail

- Purchasing and Supply - purchase and disburse supplies, contract for leases and services

- Reproduction - print and reproduce journals, newsletters, reports and other items

- Senate Auditor - record and report financial transactions

- Senate Research - analyze bills and resolutions, research various topics as needed

- Sergeant-At-Arms - maintain order, supervise car guards, messengers, and porters

- Staff Services - custodian of tapes, transcripts, reports, and minutes

- Support Services - obtain, distribute, maintain, and dispose of equipment and furniture

- Tour Guide - conduct public and private tours of the Capitol and the Governor's Mansion

The day-to-day operations of individual Senate and Committee offices are under the jurisdiction of the Senators. However, Committees must submit a budget to the Senate Administration Committee for approval. Individual Senators have budgets for personnel expenses that are set by the Senate Caucus. Some additional limits for specific expenditures have been established. All expenditures are subject to the review and approval of the Secretary of the Senate and the Chairman of the Senate Administration Committee prior to payment.

Appendix 2.2:

Organizational Chart

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┌─────────────────────┐                          ┌─────────────────────┐
│    TEXAS SENATE     │                          │     LIEUTENANT      │
│                     │                          │      GOVERNOR       │
│      (Elected)      │                          │      (Elected)      │
│                     │                          │    BOB BULLOCK      │
└─────────────────────┘                          └─────────────────────┘
           ┌─────────────────────┐
           │   ADMINISTRATION    │               ┌─────────────────────┐
           │     COMMITTEE       │               │   PARLIAMENTARIAN   │
           │                     │               └─────────────────────┘
           │     (Appointed)     │
           └─────────────────────┘
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DEPARTMENTS OF THE SENATE   ELECTED OFFICERS OF THE SENATE

AUDITOR	SECRETARY OF THE SENATE (Elected)	CALENDAR
Bill Berry	Betty King	Pat Rodgers

CAPITOL INFORMATION AND GUIDE SERVICE		DOORKEEPER
Clare Scherz	ADMINISTRATIVE ASSISTANT Peggy Brinkman	James Morris

COMMITTEE COORDINATOR		ENGROSSING AND ENROLLING
		Patsy Spaw

MEDIA SERVICES		JOURNAL
Katherine Staat		Dianne Arrington

PAYROLL		SERGEANT-AT-ARMS
Joyce Pesl		Carleton Turner

HUMAN RESOURCES		ASSISTANT SERGEANTS
Donna Rolland		

PUBLICATIONS AND PRINTING		CAR GUARDS
Robert B. Gomez		Albert Elam

PURCHASING AND SUPPLY		MESSENGER SUPERVISOR
Kenzie Arnold		Suzannah Cox

RESEARCH CENTER		PORTERS
Julia Rathgeber		Eddie Harris

STAFF SERVICES		POST OFFICE
Pat Gersbach		Harold Sander

SUPPORT SERVICES
Mike Campbell

Appendix 2.3:
Senate Financial Information
Figure 4

1995 Total Expenditures
$25.7 Million

Other Operating Expenses 0.69%
Maintenance Agreements 0.51%
Subscriptions and Publications 0.54%
Services 1.62%
Postage 1.80%
District Leases 1.85%
Travel 1.92%
Equipment Rental and Storage 2.20%
Furniture and Equipment 2.39%
Communication 2.44%
Supplies 2.68%
Personnel 81.37%

Source: Senate Financial Records

Figure 5

Expenditures per Biennium

$46,082,540 $47,552,412

Millions

'92-93 Biennium   '94-95 Biennium

■ Senators   ▨ Committees
□ Departments   □ General Senate

Source: Senate Financial Records

Figure 6

Expenditures by Function

$17.8 $16.7
$5.3 $6.3
$19.0 $16.5
$5.4 $6.6

Millions

'92-93 Biennium   '94-95 Biennium

□ Senators   ▨ Committees
□ Departments   ■ General Senate

Source: Senate Financial Records
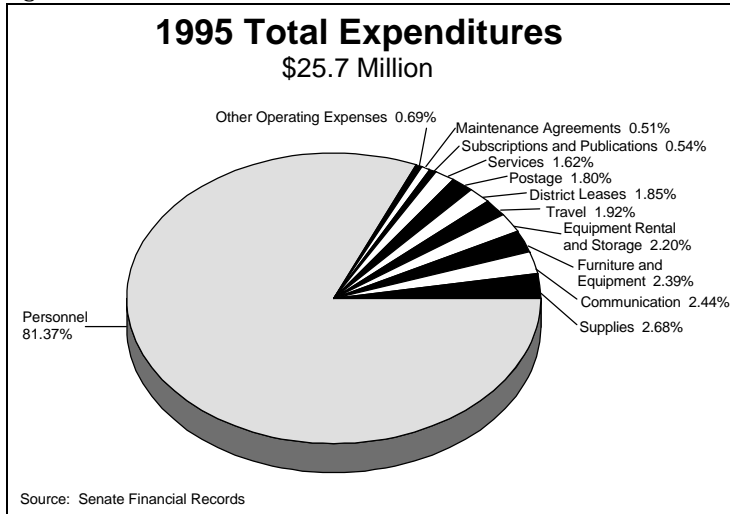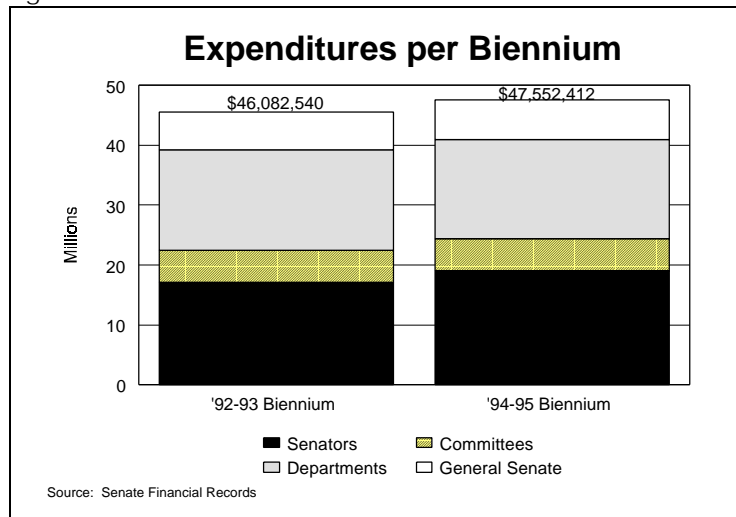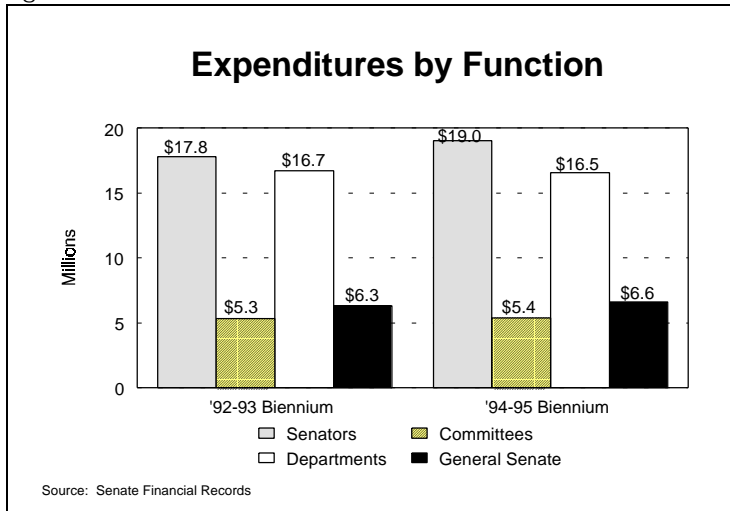
Compensation System Information

Many different types of compensation systems exist. A classification system, such as the one Texas uses for state agencies, is just one type of compensation system. Other types of systems exist and may be more appropriate for the Senate. One such system gives points to certain job duties based upon their complexity and importance to the organization. Job salaries are then related to the number of points a position is awarded.

A compensation system can be created in many different ways. The Senate could use its own personnel department, request the assistance of the State Classification Office in the State Auditor's Office, or hire an independent consultant. The National Conference of State Legislatures, for example, conducts compensation system reviews.

The purpose of this appendix is to create a very basic picture of what a compensation system might look like for Senate committees. It was developed for discussion purposes only. It is based on a limited survey of five Senate committees. The salary ranges shown are based upon existing salaries for the persons we grouped in the job title and have not been reviewed for either internal or external equity.

Background

According to a report on the compensation and classification plan for the Minnesota Senate published by the National Conference of State Legislatures, the basic goals of a classification and compensation system are to:

- Attract, retain and motivate employees to their highest productivity.

- Recognize pay and benefit trends in the marketplace and maintain a competitive position relative to other employers.

- Develop an adequate and acceptable pay structure that meets the test of fairness to employees and reflects the budgetary realities of the Senate.

- Create a fundamental management tool with which to make salary decisions and to ensure equal pay for equal work.

Compensation systems accomplish these goals by identifying job duties, grouping like duties into job categories, and establishing fair compensation for each category. Each category has salary and position ranges so that employees have a career path and an incentive for developing additional skills. These ranges also take into consideration the fact that although some jobs may have similar duties, variances in the level of

complexity, volume of work, or responsibility may occur. Compensation for each category is determined by reference to both internal and external benchmarks.

Although formal compensation systems cannot eliminate all employee dissatisfaction over compensation, they can minimize its effects. It is much easier to demonstrate to employees that they are being fairly compensated if the process for determining their compensation includes consideration of persons with similar job duties, both within organization and in the broader marketplace. During the course of the audit some employees expressed concern over the lack of a consistent compensation system. They were very aware of the variances in staff compensation for similar duties among different Senators and committees.

Compensation systems also provide more direct benefits to management. It is much easier to budget and plan for human resources if you have a clear idea of the kinds of resources that are needed and what they normally cost. In addition, more consistent job titles might assist legislative staff and citizens in determining who might be the best person to contact. Currently the job titles vary so much that it is difficult to determine who does what within a committee.

Texas Senate

We did not complete a formal compensation study of the Texas Senate. However, we did obtain information on the job duties of the staff for five committees. We have used this information to identify a basic, preliminary list of job categories and pay ranges for Senate committees.

Existing committee job duties appear to fall into one of the following basic job categories. Monthly pay ranges, based on existing salaries, are also indicated:

- **Committee Director ($3,000-$4,412 per month)** - directs policy research and interim charges and studies; supervises staff; coordinates with Chief of Staff (of the committee chair); monitors assigned agencies; interfaces with legislators, state agencies, media, and the public; and prepares and monitors budget.

- **Committee Clerk ($1,800-$2,800 per month)** - posts and arranges hearings, prepares and maintains official records of committee actions, and assists with research and constituent services during interim and as needed.

- **General Counsel ($4,040-$4,200 per month)** - researches legal issues; reviews legislation; tracks litigation, Attorney General Opinions, and changes to federal laws; monitors implementation of legislation; provides input on legislative intent; may supervise research staff; and interfaces with legislators, state agencies, media, and the public.

- **Legislative/Research Assistant ($1,900-$4,000 per month)** - researches issues, attends hearings, monitors state agencies and implementation of

legislation passed by committee, may draft bills, responds to constituent requests, and assists committee director and general counsel as needed.

Note: This job title appears to have a wider salary range due to wide variations in the level of analytical and technical ability needed for different subject areas.

• **Administrative Assistant ($1,421-$2,000)** - answers phones, receives visitors, receives/reviews/routes mail, maintains files, types correspondence, and assists with various projects as needed.

A review of the job titles and salaries of the committees not included in the survey indicates that the job titles appear to fit within the categories shown above. Depending upon the size of the committee, however, some duties were combined. One employee might be both the committee director and the committee clerk for a small committee. Salary ranges for all committees, however, were broader than the ones in our survey. For example, general counsel salaries for all committees ranged from $2,800 to $6,000.

Other Studies

The National Conference of State Legislatures and other entities regularly conduct reviews and make recommendations on classification and compensation of legislative employees. Some recent reports are as follows:

The Council of State Governments' Interstate Consulting Service. *A Review of the Minnesota House of Representatives' Classification and Compensation Systems*. 1995.

National Conference of State Legislatures. *Compensation and Classification Plan for the Minnesota Senate*. 1995.

National Conference of State Legislatures. *Review of Staffing Needs in the Tennessee General Assembly*. 1994.

National Conference of State Legislatures. *Review of Staff Organization in the Michigan House of Representatives*. 1994.

Examples of "Best" Practices

During our visits to the offices of all Senators and committees many employees expressed an interest in how other offices operate. Their concern was that they were spending a lot of time developing procedures and forms that probably had already been developed in other offices. They also wanted to be sure that they were doing the best possible job for their Senator and constituents. We collected several examples of policies, procedures, forms, and data bases that might be helpful if shared.

Policies/Procedures

We found written policies/procedures on the following topics:
- General philosophy of Senator
- Personnel issues similar to those in the Senate Employee Handbook, covering: items that are up to the discretion of the Senator, employee leave time, dress code, detailed ethics policies, etc.
- Public information/contacts with the media
- Case management/constituent services
- Legislative procedures (which includes bill review, sponsorship decisions, tracking, etc.)
- Scheduling/contacts with the Senator
- Telephone procedures
- Collection and management of newspaper clippings
- Filing
- Mail processing
- Proclamations, resolutions, flags, gavels, and other special requests
- Letter writing
- Database management

Forms

We found the following types of forms:

- Constituent contact (several different forms, but most had the same type of information on them)
- Scheduling requests
- Summary of meeting attended
- Summary of issue raised, information researched, and conclusion
- LCS entry form
- Speech requests
- Form letters

Databases

Some offices put constituent information on a database then analyze the database in the following ways:

- By employee to determine the kind of casework each employee is handling
- By date to determine if requests are being promptly fulfilled
- By subject to determine issues of interest
- By agency to determine which agencies are creating concerns

This analysis lets the Senate offices monitor how well constituent contacts are handled.

AN AUDIT REPORT ON
CONTROLS AT THE SENATE

June XX, 1996

Mr. Lawrence F. Alwin, C.P.A.

State Auditor

P.O. Box 12067

Austin, Texas 78701

Dear Mr. Alwin:

We appreciate the hard work your office has devoted to this audit, and we believe the resulting report will serve as a guide for ensuring required controls in the Senate. Listed below are our responses to each section for inclusion in the final report.

Section 1. Establish Additional Controls Over Key Activities. The six identified improvements in management controls listed here are explained by SAO in more detail in following sections. Our responses are included in those sections.

Section 2. Identify Oversight Objectives and Adjust Structure and Policies to Support Them. We agree with this recommendation. Your suggested statement of the Senate oversight function recognizes both oversight responsibility and the autonomy of each senator. Our belief is that the best way to meet this responsibility while honoring each senator's autonomy is to provide the best management information to each Senator. These reports should be clear, complete and timely. Senate resources have been devoted to this audit as the foundation for identifying oversight objectives and adjusting structure and policies. Steps planned for implementation prior to the 75th session include expanding the internal audit function, adjusting the supervisory structure so the senate auditor reports to the Committee, and documenting training needed to make the best use of management reports.

Section 3. Establish a More Comprehensive Budget Process. We essentially agree with this recommendation. The committee will instruct the senate auditor to inventory and review existing budget policies and to bring to the committee recommendations for implementing your remaining six recommendations regarding budgeting.

Section 4. Improve Ethics Management to Minimize Risk. We agree with this recommendation. The committee will hire an attorney who will serve in the expanded role of ethics advisor, prepare more detailed guidelines, provide additional ethics training classes. expand the process for identifying and resolving ethics concerns, and periodically report on new decisions by the Texas Ethics Commission..

Section 5. Minimize Risks and Improve Efficiency by Using a More Consistent, Comprehensive Approach to Human Resources. We essentially agree with this recommendation. The Committee will consider reviewing staffing levels for all major senate departments. The recommended review of staffing levels in the Senate Reproduction Department is underway. The comprehensive training program you recommended will be underway in time to be of benefit for the 75th session. While a logical initial focus would be as a service to new senators, new chairmen and their staff, the requested topics you listed will be made available to all staff. (Topics requested during your interviews were setting up a district office, casework strategies, introduction

to state agencies, role of individuals and departments in the legislative process, employment practices, and expanded training for committee clerks.) The measurement and evaluation of course performance, adjusting the course curriculum, and developing additional courses can be underway following the 75th session.

Section 6. Planning Ahead Would Allow for More Informed Fixed Asset Decisions. We agree with this recommendation. For the coming fiscal year, the committee will consider a cap on expenditures for [furniture and equipment] at a substantially reduced level. The listing (beyond the requirements of the State Property Accounting guidelines) of all items in the Senate warehouse, including those worth less than $1,000, has been accomplished. The tagging of each item with an identifying number is underway.

Section 7. Develop Guidelines for the Use of Employees, Contracts for Services, and Retainers. We agree with this recommendation. Prior to the 75th session, the committee will consider expanded and improved guidelines for contracts for services and retainers, based upon the criteria developed by the State Auditor's Office.

Section 8. Some Opportunities for Savings Were Identified. We agree that opportunities exist for savings. Steps finished in this regard include completion of a comprehensive plan for mail cost savings and a thorough consulting study of print shop operations. Across-the-board improvement in preparation of bulk mailings could bring savings even greater than your estimate. Steps planned include the implementation of the savings plan for mail costs and management responses to the results of the consulting study. It is likely these improvements can be in place before the 75th session.

Section 9. Focus on Efficiency and Effectiveness in Addition to Customer Service. We agree with this recommendation. As you properly described, accessibility and responsiveness are trademarks of the services provided by the Secretary of the Senate. The careful application of selected performance measures must be carried out so this level of service is maintained while using new information on efficiency and effectiveness.

The development and implementation and refining of these performance measures will probably have to be scheduled after the 75th session.

Section 10. Manage Information as Well as Technology. We agree with this recommendation. Operational considerations will be taken-up following the 75th session. Commonly used information could be centralized to some degree, but the opportunity may be somewhat less than in conventional business or agency applications to allow for the independent purposes of each senator. The cataloging of information resources has real potential for staff to obtain more and better information under close deadlines.

Installation is underway of the needed office automation hardware and software noted during your visits to various district and capitol offices. This enhancement, including the use of a new shared network to connect district offices, is scheduled for completion by October 31, 1996.

The recommended review of the Senate's management of information can be based on the technology needs analysis conducted during the fall of 1995. This expanded review of information needs can be scheduled following the 75th session, along with the review of necessary technology upgrades.

Section 11. Sharing May Allow a Higher Level of Service Quality. We agree with this recommendation. We are interested in examining the case you cite of the state legislature that has created a central office for providing information needed to meet constituent requests. Making best practices information available to all offices is a logical element in the training described in Section 5 above. Following the 75th session, an appropriate step would be the recommended review of the Senate's management of information as well as technology.

This process has been helpful in reviewing policies and procedures within the scope of the audit, and we look forward to receiving the final report.

Sincerely,

Appendix 6:
Attachment 2

THE SENATE
COMMITTEE ON ADMINISTRATION

Room 216. State Insurance Bldg.
P.O. Box 12068
Austin, Texas 78711
(512) 463-0350

CHRIS HARRIS
Chairman

Myra J. Schmitt
Clerk

June 14, 1996

MIKE MONCRIEF
Vice Chairman
Ken Armbrister
Drew Nixon
Jerry Patterson
Peggy Rosson
Florence Shapiro
Carlos Truan
Royce West

The Honorable Mike Moncrief
Vice Chairman
Senate Committee on Administration
Room E1.806, State Capitol
Austin, Texas 78711

Dear Mike:

By now you have received the briefing covering three documents: the State Auditors office final draft report, the fifty-five item spreadsheet, and the first draft of a response letter to Mr. Alwin.

Please carefully consider these documents and recommend edits to the response letter.

I need to receive your edits at the office of Senate Committee on Administration by the close of business on Monday, June 24, 1996.

Sincerely,

Chris Harris

CH/cpc

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𝕬𝖚𝖘𝖙𝖎𝖓 78711

Rec _6-24-96_

Action: _____

Committees

Administration Vice Chair
Finance
Health & Human Services
Criminal Justice
Redistricting, Ethics & Elections
Sunset Commission
Legislative Health & Human
Services Oversight Board

SENATOR MIKE MONCRIEF

June 21, 1996

The Honorable Chris Harris
Chairman, Senate Administration
P.O. Box 12068
Austin, Texas 78711

Dear Chris:

The following suggestions are offered in response to your letter dated June 14, 1996 requesting comments on the draft response to the State Auditor's Report on the Texas Senate.

Given the nature of the Auditor's report and the accompanying support documents, I believe that the response does not adequately convey the intent of the Senate to make the needed changes and ensure that proper controls are being established. I believe that we should provide a more direct statement of that intent at the beginning of the letter and provide a more concrete, precise catalog of the steps that have been or are being taken to address each of the problems identified in subsequent sections. In essence, we are the "board of directors" of a multi-billion dollar business and we have an obligation to our 18 1/2 million "shareholders" to respond to these audit exceptions by taking responsible action to correct the deficiencies and put safeguards in place to prevent them from reoccurring. You have already begun taking specific corrective steps in some areas and have plans for others. I would strongly encourage you to incorporate those specific measures in the response.

Following is a section by section review of the draft letter with comments based on my review of the report and the information I gleaned. My suggested changes are italicized for ease of reference.

    Section 1. Establish Additional Controls Over Key Activities. *The recommended improvements in management controls cited here are more fully addressed by SAO in subsequent sections of this report. Our responses are included in those sections.*

    Section 2. Identify Oversight Objectives and Adjust Structure and Policies to Support Them. We agree with this recommendation. *The Senate Administration Committee, with the approval of the Senate Caucus, will adopt a more precise statement of purpose with regard to the oversight function in the Texas Senate. The statement will reflect both the need for a more*

1

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DISTRICT OFFICE
*701 RIVER RUN RD . SUITE 504, BOX 38 FORT WORTH. TEXAS 76107   (817) 338-9420   FAX (817) 338-9362   METRO (817) 429-3324

effective oversight function as well as recognize the need for some autonomy on the part of the Senators in their respective office operations. To ensure that Senate operations are as efficient and effective as possible we will establish and/or modify our reporting and dissemination systems so that information is documented and reported in a clear, complete and timely manner. This report will serve as the foundation for identifying objectives and adjusting policies and procedures.

Prior to the 75th session, the following steps will be taken to correct the deficiencies noted:

- *Inventory current policies and procedures and develop new or revised policies and procedures consistent with recommended changes*
- *Expand the Senate Internal Audit function*
- *Restructure oversight and reporting so that internal Auditor reports directly to Senate Administration Committee.*
- *Develop system for disseminating information regarding changes in policies and procedures in a clear, concise and timely manner.*

Section 3. Establish a More Comprehensive Budget Process. *We agree with this recommendation. In an effort to address the problems associated with the lack of a comprehensive budget process, the Senate Administration Committee will:*

- *Instruct the internal Auditor to inventory all existing Senate budget policies and operations.*
- *Develop an action plan to revise current policies and procedures that incorporates the six recommendations made by your staff. This plan will be reviewed and approved by the Administration Committee and, subsequently, presented to the Senate Caucus.*

Section 4. Improve Ethics Management to Minimize Risk. We agree with this recommendation. *The role of ethics advisor shall be expanded and clarified. An attorney who will answer to the Administration Committee will be hired to fulfill this role. The duties of the ethics advisor will include: preparation and dissemination of more detailed ethics guidelines, develop and provide employee ethics training courses, develop procedures for reporting and resolving ethics concerns, and disseminate updates on changes in ethics laws and/or opinions issued by the Texas Ethics Commission.*

Section 5. Minimize Risks and Improve Efficiency by Using a More Consistent, Comprehensive Approach to Human Resources. We essentially agree with this recommendation. *The Senate Administration Committee will review staffing levels for all major senate departments and make adjustments, as necessary, to ensure effective and efficient use of human resources. In addition, a comprehensive review of current policies and practices with*

2

regard to accountability for human resources will be conducted and uniform policies and procedures established. The recommended review of staffing levels in the Senate Reproduction Department is currently being conducted. The Senate Administration Committee, with the assistance of the Secretary of the Senate, will review current compensation policies for central , administration staff and make necessary adjustments to insure that the policy and its application are consistently applied and that such actions are properly documented.

With regard to the recommendation to establish a formal, structured compensation policy for all senate office and committee staff, the Senate Administration Committee, with the assistance of the Secretary of the Senate, will review existing procedures and make recommendations to the Senate Caucus for its consideration.

The comprehensive training program *recommended by your staff is currently being developed and will be in place prior to the 75th Session. Although the initial focus of the revised training program will be new members and their staff, the training program will be made available to all members and senate staff. A system to measure and evaluate course performance, adjust curricula, and develop additional courses will also be incorporated as a component of the comprehensive training program although these components may not be fully developed prior to the 75th Session.*

Section 6. Planning Ahead Would Allow for More Informed Fixed Asset Decisions. We agree
with this recommendation. For the coming fiscal year, the Senate Administration Committee will consider a cap on *overall* expenditures for furniture and equipment. *In addition, the Committee, with the assistance of the Secretary of the Senate, will develop a plan for periodic review and needs assessment for fixed assets, as well as a disposal plan for excess assets.*

A comprehensive listing of all items in the Senate warehouse, including those valued at less than $1000, has been completed. The Senate is currently developing a tagging system which will provide a unique identification number for fixed assets. As part of the overall fixed asset plan, an improved monitoring and tracking system will be established.

Section 7. Develop Guidelines for the Use of Employees, Contracts for Services, and Retainers.
We agree with this recommendation. Prior to the 75th session, the *Senate Administration Committee* will consider expanded and improved guidelines for contracts for services and retainers, based upon the criteria developed by the State Auditors Office.

Section 8. Some Opportunities for Savings Were Identified. We agree that opportunities for
savings exist. *We have completed the following with regard to this recommendation:*

* *Conducted a comprehensive assessment of mail costs and developed a plan for across-the-board improvements in the preparation of bulk mailings.*
* *Conducted a study of print shop operations.*

3

We plan to implement the cost-saving measures identified in these reviews prior to the 75th Session, as well as review other recommended areas to determine if additional cost savings can be achieved.

<u>Section 9. Focus on Efficiency and Effectiveness in Addition to Customer Service.</u> We agree with this recommendation. *The primary role of central administrative support services, as you noted, is to ensure that members and their staff have the appropriate tools to perform their jobs and that they have those in a timely manner. The hallmarks of the Secretary of the Senate and central staff have been accessibility and responsiveness. To enable them to maintain more effective and efficient levels of operation in the Senate, we will refine existing controls and performance measures.*

<u>Section 10. Manage Information as Well as Technology.</u> We agree with this recommendation. *Based on the recommendation from the review of the Senate's information management technology, installation of new office automation hardware software in both Austin and district offices is in progress and will be completed prior to the start of the 75th Session. The new shared network system will aid members and staff in communicating information more efficiently and effectively.*

Recommended changes in other facets of the Senate information management system will be reviewed following the 75th session. A careful analysis of current practices and potential modifications to the system needs to be made to ensure timely access to accurate information. A centralized information system for commonly used sources and the recommended cataloging of information resources has merit and will likely be implemented. A component of the enhanced training program will include information regarding available resources and how to access them. The opportunity to consolidate other information sources is significantly reduced in the Senate due to the nature of the agency and the need for independent operations in individual offices.

<u>Section 11. Sharing May Allow A Higher Level of Quality Service.</u> We agree with this recommendation. *We will certainly review the suggested central office for providing information to enhance constituent services. As part of the enhanced training program described in Section 5, we will also include a component covering "best practices and procedures" so that all offices will have access.*

Due to the diversity of the population in this state and the need for flexibility in responding to constituent requests, some degree of decentralization in this area will likely remain to allow members and their staff to respond appropriately as they see fit.

<u>Conclusion.</u> *Once again, we appreciate the professionalism and thoroughness with which your*

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staff conducted this audit. We also appreciate the opportunity to respond to the findings. Both the audit process and this review have been helpful in identifying the policies and procedures within the scope of the audit that need to be revised, as well as areas in which new policies and procedures need to be established. We look forward to receiving the final report.

Sincerely,

While the State Auditor's Report reflects that the Senate needs to do some house cleaning, I remain convinced that it was a much needed review and that in the long run this body will be the better for it.

Please do not hesitate to call me if I can be of any assistance. I appreciate all of the hard work that you and the staff have put into this effort.

Sincerely,

Mike Moncrief
MJM:msr

5

PEGGY ROSSON
SENATOR
DISTRICT 29

Committees
ECONOMIC DEVELOPMENT, Vice Chair
STATE AFFAIRS
INTERNATIONAL RELATIONS, TRADE
& TECHNOLOGY
INTERGOVERNMENTAL RELATIONS
ADMINISTRATION

CAPITOL OFFICE:
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TDD 512/475-3758

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El Paso, Texas 79902
915/544-1990
FAX 915/544-1886

The Senate of
The State of Texas

June 24, 1994

The Honorable Chris Harris, Chair
Administration Committee
Texas Senate

Dear Chris:

I have reviewed the audit and proposed response. I have no proposed changes to the response.

Clearly there are observations and suggestions in the auditor's report that are worthy of consideration. However, since any significant change would be subject to a vote of the Senate, I see no purpose in speculating about them in our response.

With kindest regards, I remain,

Very truly yours,

Peggy Rosson

PR:iv

Rec. 6-24-96

Action: _____

_____

_____

_____

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SENATOR FLORENCE SHAPIRO
DISTRICT 8

COMMITTEES
Criminal Justice, Vice Chair
Administration
Economic Development
Intergovernmental Relations

The Senate of

The State of Texas

DISTRICT OFFICES
3700 W 15th St., Suite 100-C
Plano Texas 75075
(214) 964-5585

8117 Preston Road. Suite 687
Dallas Texas 75225
(214) 363-5031

AUSTIN OFFICE
P.O. Box 12068
Austin. Texas 78711
(512) 463-0108
TDD (512) 475-3758

June 21, 1996

The Honorable Chris Harris
Senate Committee on Administration
P.O. Box 12068
Austin, Texas 78711

Dear Chris,

I have carefully reviewed the audit report regarding the review of administrative practices and procedures of the Texas Senate. Please know that I consider the audit review to be most helpful in pinpointing opportunities where we can improve the business operations of the Texas Senate.

While I generally agree with your section by section response to the audit, I do have several concerns that I would like to bring to your attention.

Section 2: Identify Oversight Objectives and Adjust Structure and Policies to Support Them.

The common theme throughout the audit report outlines a lack of accountability for senate policies and expenditures. However, I do not feel that our response adequately addresses the recommendations from the auditor. I would like to see this section make special mention of our efforts to establish a new structure for communicating policy changes to all Senators and their staffs.

Section 3: Establish a More Comprehensive Budget Process.

This section of the audit report contains one of the most relevant and important statements of the entire audit. Page 10 has a section titled "Budget reports need reformatting". The section states:

"Existing financial reports are difficult for users to read, do not include encumbrances or accrued expenses, and classify some expenditures, such as fixed assets, in ways that make them difficult to monitor."

I do not feel that the audit recommendations adequately address this issue. Therefore, I feel our response of agreeing with the recommendations could overlook this problem. I suggest the following language at the end of your comments on Section 3.

Continued:

Rec. 6-25-96

Action: _____

Continuation:
Senator Chris Harris
Page 2

"The committee will also instruct the senate auditor to reformat existing financial reports so that they are easy to monitor and accurately reflect all expenditures."

Section 4: Improve Ethics Management to Minimize Risk.

I am very pleased that the audit did not find evidence of widespread ethics violations. Furthermore, I feel the audit makes some very necessary recommendations about ways to give senators more detailed guidelines about ethics issues. I would like to see the Senate Administration Committee review these recommendations very carefully before we make specific comments about a course of action.

Suggested response:

We agree with this recommendation. The committee will expand the role of ethics advisor, prepare more detailed guidelines, provide additional ethics training classes, expand the process for identifying and resolving ethics concerns, review and expand current staffing and periodically report on new decisions by the Texas Ethics Commission.
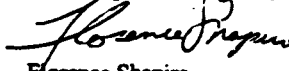
Section 6. Planning Ahead Would Allow for More Informed Fixed Asset Decisions.

Suggested response:

We agree with this recommendation. For the coming fiscal year, the committee will consider a cap on expenditures for (furniture and equipment) at a substantially reduced level. The listing (beyond the requirements of the State Property Accounting guidelines) of all items in the senate warehouse has been accomplished. The tagging of each item with an identifying number is underway.

Again, your efforts in improving the overall operations of the Texas Senate are most appreciated. I hope these comments are helpful to you, and please do not hesitate to call me if additional information or clarification is needed.

Warmest personal regards,

Florence Shapiro

Appendix 10:
Attachment 6

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THE SENATE
COMMITTEE ON ADMINISTRATION

Room 216, State Insurance Bldg
P.O. Box 12068
Austin, Texas 78711
(512) 463-0350

</div>

CHRIS HARRIS
Chairman

Myra J. Schmitt
Clerk

MIKE MONCRIEF
Vice Chairman
Ken Armbrister
Drew Nixon
Jerry Patterson
Peggy Rosson
Florence Shapiro
Carlos Truan
Royce West

Subcommittee 1 (Moncrief)*
Shapiro
West
Armbrister

Subcommittee 2 (Patterson)*
Truan
Rosson
Nixon

Support Services
Purchasing/Supply
Personnel
Payroll
Sgt.-At-Arms/Messengers
Analysis of TPR option

Post Office
Reproduction
Staff Services
Senate Research
Media Services

Chairman (Harris)
General Oversight Issues
   Budget/Accounting Practices
   Auditing
   Travel

*The Chairman also will serve as a member of both subcommittees.

Each subcommittee will develop and implement corrective measures to respond to the deficiencies identified by the SAO report. An auditor from the SAO will be assigned to work with each subcommittee.

Attached is a breakout of the issues identified in the SAO report, as well as some additional problem areas that emerged subsequent to the completion of the report. Appropriate corrective measures must be developed and implemented to address these issues. Other areas that may be identified in the course of this review should also be addressed so that our policies and procedures are comprehensive and provide appropriate levels of control and oversight.

The Administration Committee, as a whole, will be working concurrently to develop formal policies and procedures for the Senate. The purpose of this review is to assess areas of weakness in our operation and find solutions that do not unnecessarily infringe on the independence of the members, yet ensures a more business-like approach in our operation.

(See attached for specific issues)

Balance Sheet	Expenditures	Department	Other	Report Issues	Additional Issues
	Travel	Calendar		Not always using state rate	Analysis of expenditures by Senator
		Committee Coordinator		None	None
		Doorkeeper		None	None
		Engrossing and Enrolling		None	None
		Journal		None	Are bills being retyped or transferred electronically?
		Media Services		None	None
		Media Services		None	Competitive bidding on equipment purchases
		Media Services		None	Adequate security
					Costs appropriately allocated/charged
	Payroll	Payroll		None	Possible overstaffing
		Payroll		Costs incorrectly allocated	
		Personnel		Possible overstaffing	
		Personnel		Training function	
		Personnel		Improve documentation for increases	
		Personnel		Compensation policy	
		Post Office		Possible overstaffing	
		Post Office		Don't obtain lowest rate	
		Post Office		Postage prepaid too far in advance	
Inventory	Leases?	Purchasing and Supply		Allow district offices to buy locally	Check inventory balances and controls
Prepaid postage		Purchasing and Supply			Analyze types of purchases made
Inventory		Purchasing and Supply			Look for opportunities for bulk purchases
	Supplies	Reproduction		Staffing	
		Reproduction		Inventory balances	
		Reproduction		Cost allocations	
		Secretary of the Senate		Pricing for external jobs	
		Senate Auditor		Collect better performance information	AFR
		Senate Auditor		Cost allocations	
		Senate Auditor		Classification of expenses	
		Senate Research		Expand role and report to Senate Admin	
		Sergeant At-Arms		Information management	
		Staff Services		Performance measures for messengers	
Furn., equip.	Capital acq	Support Services		Cash receipts	Combine with Reproduction?
		Support Services		Reduce items warehoused	Identify possible benchmarks for staffing levels
		Support Services		Better documentation of lease vs buy	
		Support Services		Better controls over furniture <$1,000	Analyze number and type of items purchased
		Support Services		Fixed asset plan	
		Support Services		Look for bulk purchase opportunities	Utilization of copy machines, faxes, etc.
		Support Services		None	Maintenance/lease contracts
		Tour Guides	Oversight	More clearly specify duties	None
			Oversight	Improve internal audit role	

AN AUDIT REPORT ON
CONTROLS AT THE SENATE

Oversight	Comprehensive budgets
Oversight	Time sheets, leave policies
Oversight	Clarify use of contractors, retainers
Oversight	Comprehensive performance measures
Oversight	Centralize some constituent services
Oversight	Share best practices
Ethics	Identify ethics advisor
	Develop information management plan

Analyze expenditures

Professional fees

?Information management