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1996 Small Agency Management Control Audit

November 1996

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Key Points of Report

1996 Small Agency Management Control Audit

November 1996

Overall Conclusion

During the management control audits of eight small agencies, opportunities were identified for improvement in performance management and human and financial resource management. In general, six of the small agencies:

- Children's Trust Fund of Texas Council
- Food and Fibers Commission
- Board of Law Examiners
- Office of Public Insurance Counsel
- Southwest Collegiate Institute for the Deaf
- Office of State-Federal Relations

had established reasonable controls to ensure that missions were accomplished, goals and objectives were achieved, and resources were safeguarded. However, control weaknesses at two agencies (Commission on the Arts and Soil and Water Conservation Board) increase the risk that desired results may not be achieved.

In addition, we found that 46 percent of the performance measures examined were reliable and 15 percent were inaccurate. We were unable to determine the accuracy of the remaining 39 percent of the measures. In the previous small agency management control audits (*1995 Small Agency Management Control Audit*, SAO Report No. 96-034, December 1995), 38 percent of the performance measures were reliable, 45 percent were inaccurate, and the accuracy of the remaining 17 percent could not be determined.

Follow-up audit results at 11 agencies reviewed in previous small agency management control audits indicate that 52 percent of our previous recommendations have been implemented, 38 percent have been partially implemented, and 10 percent have not been implemented. With regard to recommendations not implemented, agencies' responses indicate that they plan to address these in the near future.

Key Facts and Findings

- Two agencies audited had control weaknesses which increase the risk that intended benefits may not be delivered:
 - Commission on the Arts (weaknesses in controls over grant monitoring)
 - Soil and Water Conservation Board (weaknesses in controls over monitoring of the *Agricultural and Silvicultural Nonpoint Source Pollution Abatement Program*)
- At six agencies, opportunities for improvement were noted in the following areas of human and financial resource management:
 - Performance appraisals, documentation of personnel actions and Fair Labor Standards Act (FLSA) exemptions, and classification of interns
 - Lack of budgeting, segregation of duties over accounting and payroll, and policies and procedures for accounting.

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Office of the State Auditor

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This management control audit was conducted in accordance with Government Code, § 321.0132 and § 321.0133.

Executive Summary

During the management control audits of eight small agencies, we identified opportunities for improvement in the management of performance and human resources. In general, six of the small agencies:

- Children's Trust Fund of Texas Council
- Food and Fibers Commission
- Board of Law Examiners
- Office of Public Insurance Counsel
- Southwest Collegiate Institute for the Deaf
- Office of State-Federal Relations

had established reasonable controls to ensure that missions were accomplished, goals and objectives were achieved, and resources were safeguarded. However, control weaknesses at two agencies (Commission on the Arts and Soil and Water Conservation Board) increase the risk that desired results may not be achieved.

Small Agencies Audited

- Commission on the Arts
- Children's Trust Fund of Texas Council
- Food and Fibers Commission
- Board of Law Examiners
- Office of Public Insurance Counsel
- Soil and Water Conservation Board
- Southwest Collegiate Institute for the Deaf
- Office of State-Federal Relations

Follow-Up Reviews

- Board of Barber Examiners
- Board of Chiropractic Examiners
- Cosmetology Commission
- Texas Ethics Commission
- Fire Fighters' Pension Commissioner
- Department of Licensing and Regulation
- State Pension Review Board
- Board of Examiners of Psychologists
- Council on Sex Offender Treatment
- Board of Tax Professional Examiners
- Board of Vocational Nurse Examiners

In addition, we found that 46 percent of the performance measures examined were reliable and 15 percent were inaccurate. We were unable to determine the accuracy of the remaining 39 percent of the measures. In the previous small agency management control audit (*1995 Small Agency Management Control Audit*, SAO Report No. 96-034, December 1995), 38 percent of the performance measures were reliable, 45 percent were inaccurate, and the accuracy of the remaining 17 percent could not be determined.

Our follow-up work at 11 agencies reviewed in previous small agency management control audits showed that 52 percent of our previous recommendations had been implemented, 38 percent had been partially implemented, and 10 percent had not been implemented. With regard to recommendations not implemented, agencies' responses indicate that they plan to address these in the near future.

The 1996 Small Agency Management Control Audit included full reviews of eight agencies and follow-up reviews of 11 agencies. In fiscal year 1995, the small agencies collectively received approximately \$33.8 million in appropriations and employed 531 full-time equivalent employees.

Performance Management Controls Need Strengthening at Small Agencies

We identified weak controls over performance management at five agencies. Specifically:

- Weaknesses in controls over program monitoring at two agencies increase the risk that misused funds may go undetected.

Executive Summary

- More than 50 percent of the performance measures reviewed could not be certified because they were inaccurate or supporting documentation was not available.

Controls Over Programs at Two Small Agencies Could Be Improved

Two of the agencies audited could improve performance management controls over significant programs:

- The Commission on the Arts (Commission) performs insufficient on-site monitoring of grant recipients, thus increasing the chance that funds could be misused and not be detected. Fiscal monitoring is limited to desk reviews of independent audits and financial information submitted by grant recipients. Approximately \$3.4 million, which represents 83 percent of the Commission's budget, was granted to subrecipients in fiscal year 1995.
- The Soil and Water Conservation Board (Board) does not require local soil and water conservation districts to submit receipts to support claims within the *Agricultural and Silvicultural Nonpoint Source Pollution Abatement Program*. The Board makes payments based on Performance Certifications submitted by the districts. In addition, the Board lacks a formal procedure to monitor local soil and water conservation district directors in the cost-share assistance program. Approximately \$2.1 million, which represents 24 percent of the Board's appropriations, was committed to water quality improvements in fiscal year 1995.

Performance Measure Results Should Be Compiled and Accurately Calculated

Of the 13 performance measures examined, 46 percent were found to be reliable and 15 percent were found to be inaccurate. Factors prevented certification for the remaining 39 percent of performance measures. The Soil and Water Conservation Board did not report quarterly performance measure results for fiscal year 1995.

Agency management and the Legislative Budget Board rely on accurate performance measure reporting to evaluate current agency operations, determine appropriate corrective action needed, and assess the need for future funding levels for specific programs. Inaccurate reporting of performance measure results could lead to inappropriate action being taken by these entities.

Controls Over Human Resource and Financial Management at Small Agencies Could Be Enhanced

Controls over human and financial resources could be enhanced at six agencies. Adequate controls over personnel, property, revenues, and expenditures ensure that resources are effectively and efficiently utilized.

Strengthen Controls Over Human Resource Management

We found that controls over human resource management needed enhancement at five of the eight agencies audited. Specifically, the following deficiencies were noted:

- Annual performance evaluations were either not consistently performed or were not performed in a timely manner.

Executive Summary

- Paid interns were inappropriately classified as independent contractors rather than employees.
- Documentation regarding determination of Fair Labor Standards Act exempt/non-exempt status was not available for all employees.
- Changes in employee classification levels, type of personnel action, and the support for personnel actions were not documented and maintained in employee files.

Adequate controls over human resource management ensure that employees receive feedback on their performance in a timely manner. In addition, proper classification of employees and adequate support for personnel actions are necessary to eliminate the risk of complaints and legal actions.

Improve Financial Controls

We found that financial controls needed enhancement at five of the eight agencies audited. Specifically:

- A budget was not developed to plan, monitor, and control expenditures.
- There was a lack of segregation of duties over the accounting and payroll functions.
- There was a lack of written policies and procedures over accounting.

Effective controls over financial resources ensure that assets are safeguarded, resources are used for authorized purposes, and financial records are accurate.

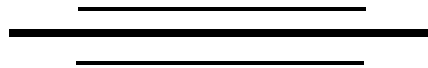
Follow-Up Reviews Showed Most Recommendations Were Fully or Partially Implemented

Follow-up work at 11 agencies reviewed in previous small agency management control audits showed that 52 percent of our previous recommendations had been implemented, 38 percent had been partially implemented, and 10 percent had not been implemented.

Agencies have indicated that they plan to address the remaining 10 percent of the recommendations in the near future.

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Commission on the Arts



Fieldwork Completed: August 1996

Commission on the Arts

Detailed Issues and Recommendations

Overall Conclusion

The lack of effective controls over the grant monitoring process at the Commission on the Arts (Commission) limits its ability to ensure that public funds are appropriately used. The Commission performs insufficient program monitoring of its grant recipients. Fiscal monitoring is limited to desk reviews of independent audits and financial information in evaluation reports submitted by grant recipients.

Without on-site monitoring of grantees, misused funds may not be detected by the Commission. In fiscal year 1995 approximately \$3.4 million, which represents 83 percent of the Commission's budget, was granted to subrecipients.

The Commission could improve operations by implementing an on-site grant monitoring program. In response to an earlier audit report in September 1991 (*Report on the Financial Related Audit of the Texas Commission on the Arts*, SAO Report No. 92-003), management committed to monitoring its subrecipients and agreed to set up a two-year cycle plan for visiting grantees. However, the Commission has failed to take steps to correct the weakness.

The Commission also needs to strengthen controls over policy, financial, and human resource management. Specifically, the Commission should:

- Develop and implement policies and procedures relating to acceptance of honoraria and purchasing.
- Review the annual financial report for accuracy, completeness, and compliance with the Comptroller of Public Accounts' reporting requirements.
- Document and approve all personnel actions and perform written annual evaluations on all staff.

The Commission has established reasonable management control systems for information and performance management.

Background

The Commission on the Arts was established in 1965 to increase awareness of the arts, attract outstanding artists to Texas, and promote cultural opportunities for all Texans through education, grant assistance funds, community development, and training opportunities. The Commission is primarily a granting agency providing support and endorsement for arts organizations. The Commission has 16 employees.

The Commission's appropriations for fiscal year 1996 totaled \$4.1 million, including \$800,000 in federal revenues. The Commission's financial resources were enhanced by the establishment of the Texas Cultural Endowment Fund in 1993; the Legislature designated \$2.2 million as the fund's corpus and provided for future interest earnings to be appropriated to the Commission.

Commission on the Arts

Detailed Issues and Recommendations

Section 1:

The Commission Should Develop and Implement an On-Site Grant Monitoring Process

The Commission performs insufficient program monitoring of its grant recipients. Fiscal monitoring is limited to desk reviews of independent audits and financial information in evaluation reports submitted by grant recipients. For fiscal year 1995, less than 1 percent of the grant recipients received an on-site monitoring visit by the Commission. Consequently, the Commission is unable to determine if funds are used in accordance with state and federal guidelines or for the purposes for which they are granted.

This issue was previously reported in SAO Report No. 92-003 issued in September 1991 (*Report on the Financial Related Audit of the Texas Commission of the Arts*, SAO Report No. 92-003). At that time the Commission committed to monitoring its subrecipients and agreed to set up a two-year cycle plan for visiting grantees. The Commission has failed to take steps to establish and implement an on-site grant monitoring system.

Approximately \$3.4 million, which represents 83 percent of the Commission's total budget, was granted to subrecipients in fiscal year 1995. These funds were distributed among 414 grant recipients for an average grant of \$8,150. Only 24 grantees received more than \$25,000 in federal and state funds. In the same year, 80 subrecipients received more than \$10,000 and less than \$25,000.

Recommendation:

We recommend that the Commission develop and implement an on-site grant monitoring program to ensure that grant funds are being properly expended and accounted for in accordance with grant requirements. The Commission staff should make it standard practice to review grant records and expenditures during site visits. Frequency of monitoring visits and the scope of work performed during visits should be based on a formal risk assessment process.

Management's Response:

It has been the Commission's policy to grant federal funds to recipients who were subject to independent audit report requirements. As a prerequisite of the grant process and as further stated by contractual agreement, the Texas Commission on the Arts (TCA) is to receive a copy of the independent audit report as soon as it is available. As a general rule, this audit report is available to TCA shortly after the end of the recipient's fiscal year. Specifically, the recipient is required to comply with "all of the terms and conditions of this contract and applicable requirements of the

Commission on the Arts

Detailed Issues and Recommendations

Commission and the National Endowment for the Arts, including, but not limited to . . . Federal Office of Management and Budget (OMB) Circulars A-102, A-128, A-110, A-87, A-21, and A-122.”

TCA has established desk audit procedures in accordance with previous recommendations made by the State Auditor’s Office. These desk audit procedures are very thorough. Staff review the Project Budget, Project Budget Detail Attachment and all other financial supporting documents submitted with the application. Any questions or discrepancies are resolved through telephone contacts and revised submittals if necessary.

TCA concurs that on-site fiscal and compliance monitoring reviews of subrecipients is needed. During the past year, the agency performed two on-site reviews. But in order for the agency to completely ensure compliance with the federal guidelines and this audit finding, the Commission would require an additional accounting position added to its budget as well as the necessary funds to facilitate the travel inherent in this position. An alternative solution would be to contract out these services to qualified professionals on an as-needed basis. This also would require additional funds that our current budget cannot accommodate. The management of TCA proposes to present once again these findings to the Legislative Budget Board and the Legislature and to request additional appropriations to facilitate compliance with this finding.

Additionally, management will continue its efforts to decentralize a major portion of its grants making program. This decentralization program will enhance the agency’s ability to target and monitor a larger selected sample of its grantee performance on-site and thereby reduce the cost of such coverage.

Section 2:

The Commission Should Enhance Controls Over Policy Management

The Commission needs to develop and implement policies and procedures relating to acceptance of honoraria and purchasing. Specifically, we noted:

- The Commission does not have a written policy related to acceptance of honoraria by staff. The executive director received two honoraria totaling \$959 for speaking engagements. It appears that the executive director was on state time while making these presentations. In both instances, the executive director traveled out of state to give speeches and logged an eight-hour work day. In one instance, the State paid for the airline ticket to the city where he was speaking, although he later reimbursed the State.
- The Commission circumvented its own written procedures for obtaining competitive bids by authorizing payments on two separate vouchers for two computers purchased on the same day from the same company. Each computer was purchased for \$996 each.

Commission on the Arts

Detailed Issues and Recommendations

Policies and procedures inform employees about rules and regulations and, if followed, help maintain effective controls over resources.

Recommendations:

We recommend that the Commission:

- Establish a written policy which disallows employees from accepting honoraria while on state time and which requires employees to take a leave of absence to make presentations unrelated to their employment.
- Establish a written policy which disallows employees from submitting travel vouchers for engagements unrelated to their employment, even for cases in which the employee later reimburses the State.
- Comply with its internal policies and procedures in obtaining competitive bids.

Management's Response:

TCA concurs with the audit findings.

- *Procedures will be written and incorporated in the TCA's personnel manual to require all personnel to follow the guidelines for acceptance of honoraria by October 30, 1996.*
- *This incident happened only once. The employee reimbursed the State. Written procedures will be incorporated into TCA's personnel manual no later than October 30, 1996.*
- *The Commission has written procedures for purchasing. These procedures are distributed to all staff and are part of the agency purchaser's tactical plans. Included in the procedures are HUB participation procedures, bid requirements and special notes, purchase request forms, purchase explanation form for phone bids and invitation for sealed bids. This agency will comply with state purchasing requirements.*

Commission on the Arts
Detailed Issues and Recommendations

Section 3:

**The Commission Needs to Strengthen Controls Over
Financial and Human Resource Management Systems**

Controls over human resource management have not been consistently applied by the Commission. In addition, internal controls over financial reporting are not adequate to ensure the accuracy of the annual financial report.

Section 3-A:

Improve Annual Financial Report Preparation Procedures

Internal controls over financial reporting are not adequate to ensure the accuracy of the annual financial report. The Commission's annual financial report contained several significant errors: federal revenues were understated on the statement by about \$1 million; interest receivable was overstated by \$200,000; and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Nonexpendable Trust Funds, a required supporting schedule, was omitted. The Commission advised that the annual financial report was later revised after consultation with the Comptroller of Public Accounts' Financial Reporting Section by the due date.

The Commission's annual financial report is management's representation of the financial position for the fiscal year. It is management's responsibility to provide a correct and complete report, prepared in accordance with the Comptroller of Public Accounts' reporting requirements. The Comptroller of Public Accounts' reporting requirements prescribe standard accounting procedures and terminology to ensure consistent reporting among state entities.

Recommendation:

We recommend that management thoroughly review the annual financial report to determine if it is accurate, complete, and in compliance with the Comptroller of Public Accounts' reporting requirements.

Management's Response:

The Commission worked hand-in-hand with the financial analyst of the Comptroller's office to insure the accuracy of the financial report. This report was approved in its entirety by the Comptroller's office. This agency will continue to work with the Comptroller's office to ensure accurate, complete information in the financial report.

Commission on the Arts

Detailed Issues and Recommendations

Section 3-B:

Enhance Controls Over Human Resource Management

Controls over human resource management have not been consistently applied. The personnel files did not contain adequate documentation to justify and authorize personnel actions. In addition, performance evaluations are not completed on a timely basis.

Of the 17 current employees' files reviewed, 9 exceptions (53 percent) relating to documentation of a current pay rate were noted. Eight employees were granted pay increases which were supported only by a blanket letter of authorization from the executive director. The letter did not stipulate changes in classification, nor were the letters in the employees' personnel files. An additional employee was granted an increase in pay, but was not listed in the letter. Three files contained personnel action forms for a previous increase which were not signed or dated by either the supervisor or executive director.

Four employees (24 percent) have not received annual evaluations within twelve months; two of these were last evaluated in 1992. Three additional evaluations were either not signed or not dated, or were dated incorrectly.

Personnel action documentation provides the support for salary increases or decreases. Timely performance evaluations are important to document employees' accomplishments and areas of improvement. In fiscal year 1995, salary and payroll related costs represented 20 percent of the Commission's total expenditures.

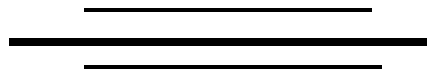
Recommendation:

We recommend that management ensures personnel files include documentation and approval for all personnel actions. Also, all employees should receive a written performance evaluation at least once a year.

Management's Response:

The Commission at the end of each fiscal year completes an evaluation of each employee's job performance. Each person's job performance is evaluated by the strategic tactical plan that must have been completed for that year. The Executive Director meets with each person to discuss personnel actions. Each interview is documented to go into each individual's personnel folder. This is a thorough evaluation. Additionally, the agency will also use a written evaluation form. This form will be in each personnel folder by October 15, 1996. Because of the time frame by which the agency's Commissioners meet, the Executive Director's evaluation was not done at the time of the audit. His evaluation is now complete and is in his personnel folder.

Children's Trust Fund of Texas Council



Fieldwork Completed: April 1996

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

Overall Conclusion

The Children's Trust Fund of Texas Council (CTF) has established a system of management controls to help meet its legislative mandates, goals, and objectives. However, to enhance operations, CTF should review contract service administration to ensure proper classification of paid interns and refine performance measurement processes to ensure that funded programs do not under-report their performance. CTF should identify and pursue opportunities for higher yields on the Trust Fund. In addition, better planning and feedback mechanisms are needed for the marketing communications system.

Background

The Children's Trust Fund of Texas was established to prevent child abuse and neglect by setting policy, offering funding and technical resources for community child abuse and neglect prevention programs, and providing information and education on child abuse and neglect. CTF has seven full-time equivalent employees. Fiscal year 1995 expenditures totaled \$1.6 million. Most funds come from federal dollars and from statutorily limited transfers from a recently rededicated \$18 million Trust Fund.

Section 1:

Review Contract Service Administration

While CTF's human resource policies and procedures are generally thorough and well-documented, procedures used by CTF do not ensure that paid interns are properly classified as "employees" or "independent contractors." We reviewed the intern service agreements and related documents for fiscal year 1996 and noted that:

- CTF contracted with four interns who provided approximately 3,037 hours of service and were paid approximately \$23,050 between September 1, 1995, and April 30, 1996.
- These individuals were treated as independent contractors and not employees. As such, they were paid on an hourly basis, and no payroll taxes were withheld. Nor were State of Texas employment benefits provided.
- CTF contracted these interns to deliver services at a location specified by CTF, with direction and instruction provided by CTF, and using materials, supplies, and equipment supplied by CTF.
- The agreements make no specific reference to tax payment responsibility or benefits.
- Interns are paid on purchase vouchers rather than through the payroll process.

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

The Texas Workforce Commission and the Internal Revenue Service specify the factors to be considered when determining when workers are employees or independent contractors. The responsibilities imposed on the employer vary based on the determination. Generally, independent contractors are responsible for paying all federal and state income, unemployment, and social security taxes. If a worker is deemed to be an employee, the employer is responsible for ensuring that federal income taxes are withheld, that social security taxes are paid, and that all applicable federal and state employment laws are followed.

Recommendations:

CTF should review its contract agreements and evaluate the appropriateness of determinations made to classify interns as employees or independent contractors. In so doing, management should use the resources of available specialists (such as the Attorney General's Office, Legislative Budget Board, State Classification Office, Texas Workforce Commission, and Internal Revenue Service) to determine the most appropriate methods for hiring and compensating paid interns. Once such a determination is made, both payroll processes and intern agreements should be modified accordingly to include specific reference to tax payment responsibility and benefits. While in this process, CTF should also specify which human resource management statutes and human resource policies and procedures appropriately apply to both interns and contractors, and then modify the related agreements to reference such statutes, policies, and procedures. Such action will enhance both the controls over and compliance of contracted workers.

Management Response:

Classification of Student Interns - In prior consultation with the General Services Commission (GSC), the Children's Trust Fund followed GSC's stated process and method for contract preparation and payment to student interns. The Children's Trust Fund's attorney, provided through the State Attorney General's Office, was also consulted and concurred with the current method. Based on these interagency professional services, CTF staff believed the procedures used were within the standards and requirements of the law. All CTF contracts are reviewed by legal counsel.

Relating to the IRS issue - During the management control audit, the Children's Trust Fund's legal counsel reviewed with CTF staff the IRS 20 critical factors test relating to "independent contractors" and indicated, in a written response, that CTF was within the law. Legal counsel concluded that the courts use a "subjective" analysis regarding how much weight should be given to any one factor and therefore, "what is apparent from the case law is that the final determination of whether an individual is an employee or an independent contractor is one that can be made only by the courts."

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

Due to this above-referenced lack of clarity and based upon legal counsel recommendations, the Children's Trust Fund will not renew student intern contracts until there is a policy statement issued and/or clarification is received from the Legislature, the Legislative Budget Board, and/or the courts on this matter. CTF student interns received written notification of this decision and each contract will be terminated before September 1, 1996.

CTF contracts state that tax liability is the sole responsibility of the contractor. However, upon advisement of legal counsel, a separate clause, which further defines the tax obligation of an independent contractor, has been added to CTF contracts. In all cases, interns and contractors received prior notification of their tax liability and responsibilities. Management will continue to comply with the guidelines from appropriate agencies in human resources and contract administration policies and procedures.

Follow-Up Comment:

The jurisdictions of the General Service Commission (GSC) and the Attorney General's Office do not extend to the classification of interns as "independent contractors" or "employees." Such classification authority is vested in the Internal Revenue Service and, ultimately, in a court of law. Thus, CTF's admitted adherence to GSC policies and procedures for contracting and paying interns does not and, in fact cannot, ensure that such persons are appropriately classified. Nor can consultation with the Attorney General's Office, while certainly well-advised, guarantee the proper classification of such individuals since, like the GSC, the Attorney General's Office is not the final arbiter of such matters.

Section 2:

Refine Performance Measurement Processes to Ensure That Funded Programs Do Not Under-Report Their Performance

The Number of Child Participants in CTF-Funded Programs and Services was certified with qualifications. The Number of Adult Participants in CTF-Funded Programs and Services could not be certified as accurate. Since under-reporting was generally the problem, CTF is not getting full credit for the actual impact of its current child abuse and neglect prevention efforts. While the performance measurement process is sound within the CTF's Central Office, the data gathering and reporting processes used in the field programs are highly variable. Review of performance data gathering and reporting techniques in field programs revealed that:

- More clarity is needed in the definitions of "new," "continuing," and "completed" program participants, especially when services are offered in cycles which overlap fiscal years.

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

- Participant data did not always include all persons who could legitimately have been counted.
- Methods used to track participant attendance were at times inconsistent. Full names and original signatures of participants were not uniformly collected.
- Twenty-one-and-a-half percent of the performance reports submitted by field programs for the first and second quarters of fiscal year 1996 required amendment after CTF's Central Office review. Errors were highest among newer programs.
- Both amendments to quarterly reports and program participation roll sheets were at times not signed and dated by program staff. This complicates knowing from whom one should request clarification or additional information.
- All performance data were not consistently coded in the correct boxes on quarterly reports. Additional data were at times found elsewhere in the report.

CTF is aware of these issues and proposes conducting, depending on individual program size, one or two on-site financial and performance reviews of each program over the three-year funding cycle.

Recommendations:

To bring more clarity and consistency to program performance measurement, CTF should consider:

- Reviewing existing performance data gathering and reporting processes in the field
- Identifying error patterns and best practices which might apply to all programs
- Drafting, pilot testing, and finalizing new data gathering and reporting standards
- Deploying these new data gathering and reporting standards and monitoring their impact to see if both process problems and data errors decrease

Other more specific process enhancements may also prove beneficial, as follows:

- Train more fully and work more closely with grantees, particularly new grantees, to ensure that performance data gathering and reporting standards are fully understood and followed.
- Promptly intervene with coaching and/or formal training should a change occur in the field staff who gather or report performance data.

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

- Precisely define and fully account for “new,” “continuing,” and “completed” adult and child participants in every program area and service offering, and determine when changes in service patterns require reclassifying participants in these categories.
- Fully document processes used to assess and amend quarterly reports, and provide this process information to all funded programs.

More standardized processes and forms for tracking service delivery may also reduce process problems and data errors. Without constraining service delivery time or client privacy, such standardization should:

- Require that participant rolls and related reports use consistent data gathering and reporting techniques, and collect dates and full signatures of those who receive service and those who create or amend reports.
- Separately track and tally new, continuing, and completing adult and child participants on each participant roll and related summary reports.
- Ensure that all performance data appear in the appropriate boxes on quarterly reports.

Finally, CTF need not visit all programs during the funding cycle, as currently proposed. Such action would unduly tax such a small agency. Alternatively, CTF should analyze the risk of financial and performance reporting error based on reviews of quarterly and financial reports, verbal and written correspondence, program maturity and turnover, and other factors. This risk analysis will indicate where to perform site visits. Where possible, CTF should:

- Combine financial and performance reviews during each site visit.
- Treat any site visit as a program financial and performance assessment opportunity, regardless of why or by whom such site visit is performed.
- Consider training Family PRIDE (Principles, Responsibility, Integrity, Discipline, Education) Regional Council Members to perform financial and performance assessment visits outside their respective regions.

Management Response:

Performance Measure Certification - *The Quarterly Performance Report, submitted by CTF grantees, is being revised to prevent data errors and more accurately record program participation. As noted by the auditor, the performance measurement process is sound within the CTF central office and under-reporting by community*

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

programs does not reflect the level of CTF program success. The CTF staff degree of reporting precision is being taken to the local programs through regional training.

The CTF Council believes this will increase accuracy. It appears under-reporting was an honest effort by local programs to ensure an unduplicated count of participants.

Section 3:

Identify and Pursue Opportunities for Higher Yields on the Trust Fund

Existing control systems generally assure that strategic plans and related budgets are appropriately formulated, managed, and monitored; that resource use is based on established customer needs; and that program effects are assessed. However, CTF has long been concerned that yields on the Trust Fund currently administered by the State Treasury have averaged only some 5 percent. Various options have been discussed over the last three years, including seeking separate statutory investment authority, piggy-backing on higher-yielding investments of state funds, and moving the Trust Fund from the State Treasury.

Recommendations:

CTF must first decide whether or not to pursue separate statutory investment authority. Like all key financial decisions, this determination must be based on thorough analysis of fiscal and control risk and input from both CTF's Legal Counsel and key stakeholders. Until this decision is fully taken, other options are generally unavailable, and CTF will have to accept the current level of investment yield.

However, even if CTF rejects pursuit of investment authority, further means still exist to enhance CTF's financial position, including:

- Accelerating acquisition of funds and in-kind support under public and private partnerships, activities in which CTF has shown some success
- Developing a campaign of dedicated giving and sponsorship, perhaps including the participation and coordination of the Regional Family PRIDE Councils
- Soliciting donations in all information and promotion materials and via the proposed Internet interface

Management Response:

Although the CTF Council has chosen not to pursue separate investment authority, it has repeatedly addressed this concern in writing and meetings with the CTF Fiscal

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

Advisory Committee, Offices of the State Comptroller and Treasurer. The CTF Council has sought to convince the State Treasurer or State Comptroller's Office to place the long-term Children's Trust Fund corpus in a higher yield investment. These discussions are ongoing.

Section 4:

The Marketing Communications System Could Be More Efficient and Effective

Providing public education and awareness information is a key component of CTF's mission, strategies, staff and intern functions, and output measures. While this effort generally works well, better planning and feedback mechanisms in the marketing communications system could both enhance its success and move CTF away from broad information releases toward more efficient target marketing. More in-depth assessment of the demand for and consumption of its marketing communications is needed. CTF could also benefit from enhanced marketing expertise on its Central and Regional Councils. Finally, CTF might further explore if broader use of radio would be a cost beneficial change to its marketing strategy.

Recommendations:

CTF should consider the following enhancements to its marketing communications system:

- Optimally, develop an annual or multi-year marketing communications plan. Minimally, fully plan production of each printed or electronic marketing piece. Plans should set costs, assign responsibility for each production step, quantify demand, specify venues, characterize target populations in each Family PRIDE Region, define feedback mechanisms, and clarify how such feedback will be used to enhance future marketing communications processes.
- CTF should gather more specific demographic and information consumption data on its target groups, perhaps via additions to the surveys already administered by the Public Policy Research Institute. This information would help CTF target its marketing communications by determining which media are best suited for each demographic group and geographic area.
- Incorporate marketing expertise on both the Central and Regional Councils. Such expertise could facilitate market research, materials development and distribution, media and public relations, and targeting of marketing communications.

Children's Trust Fund of Texas Council

Detailed Issues and Recommendations

- Consider if television and videotapes are strategically efficient, since many CTF clients may lack access to these media. Broader use of radio may be in order since radio costs less to produce and distribute. Minimal investment would permit CTF to (re)produce radio spots in-house, for which it presently contracts. Regardless of the media mix chosen, CTF should examine the cost-effectiveness of production facilities known to exist in other state agencies.

Management Response:

CTF has always been committed to distributing information to the public about child abuse and neglect prevention. Due to demands from the Family PRIDE Councils and with increased federal funding, these efforts will continue to expand with over 300,000 items planned for distribution in fiscal year 1997. This is an increase of 400% from fiscal year 1996. In response to the auditor's findings, the following steps have been taken to ensure that the system is more efficient and effective:

- *Beginning this past summer, a detailed distribution form was developed for each item submitted for purchase. The number to produce, printing, postage, and mailing costs, as well as targeted audiences per quarter are included. The plans will be monitored monthly and reviewed on a quarterly basis.*
- *Beginning fall, 1996, CTF will contract with marketing experts to facilitate market research, implementation of feedback mechanisms, and to determine which media are best suited for each demographic area. CTF will also explore cost-effectiveness of production facilities at other state agencies since present CTF staff size precludes duplicating radio spots in-house as recommended.*
- *Beginning fall, 1996, CTF will encourage membership of local marketing experts on the Family PRIDE Councils to provide appropriate direction to the CTF Council on community marketing strategies. This will be emphasized in selecting new members, as well as filling vacancies on existing Family PRIDE Councils.*

Results of Performance Measures Review

Related Objective or Strategy ¹	Description of Measure ¹	How Classified	Results Reported ²	Certification Results*					Comments
				C	CQ	FPC	I	N/A	
Agency # 355 Children's Trust Fund of Texas Council									
A.1.1	Number of Programs Funded	Output	38	*					
A.1.1	Number of Adult Participants in CTF-Funded Programs and Services	Output	3,586				*		Performance was under-reported by 7.7 percent. Under-reporting occurred due to failure to count all participants, lack of consistent attendance tracking, and unclear definitions of participant types.
A.1.1	Number of Child Participants in CTF-Funded Programs and Services	Output	4,708		*				This measure was certified with qualification because there is a tendency toward under-reporting the number of child participants. Further standardization of data gathering and reporting processes will help eliminate this tendency and ensure greater precision in the future.

Sources:

¹General Appropriations Act, 74th Legislature, R.S. (1995).

²Outputs are reported for the first two quarters of FY 1996.

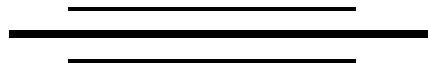
All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

***Key for Certification Results**

- C - Certified
- CQ - Certified With Qualifications
- FPC - Factors Prevented Certification
- I - Inaccurate
- N/A - Not Applicable

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Food and Fibers Commission



Fieldwork Completed: January 1996

Food and Fibers Commission

Detailed Issues and Recommendations

Overall Conclusion

The Food and Fibers Commission (Commission) has established adequate management control systems for policy, information, and resource management. The Commission could improve its processes by developing an employee appraisal system. The accuracy of the Commission's performance measures could not be determined due to the reliance on private entities for the performance data.

Background

The Food and Fibers Commission was established to increase production, improve quality, and promote the use of Texas' natural fiber, oil seeds, and other textile products through funding surveys, research, and investigation. The Commission's board consists of four members: the chancellor of the Texas A&M University System and the presidents of Texas Woman's University, The University of Texas at Austin, and Texas Tech University. In fiscal year 1996, the Commission has appropriations of \$4,105,528 and three full-time employees.

Section 1:

The Commission Should Develop an Employee Performance Appraisal Process

The Commission does not have an employee performance appraisal process. Performance appraisals are a communication tool. They are a means for the employer to provide feedback to employees which supports good performance, helps correct and discourage poor performance, provides a foundation for human resource decisions (i.e., promotion, demotion, merit increase, and termination), and establishes a basis for an employee's training and development.

Recommendation:

We recommend that the Commission develop an annual performance appraisal process for all employees. The appraisal system should be based on specific and measurable job dimensions relating to the individual employee's job duties.

Management's Response:

Even though we have only three employees, including the executive director, we understand the need for an appraisal process and will implement this on an annual basis.

Food and Fibers Commission

Detailed Issues and Recommendations

Section 2:

The Commission Should Report Fixed Assets According to State Guidelines

The Commission has not reviewed the fixed assets on its inventory listing to determine whether assets valued at less than \$1,000 should be capitalized as controlled assets (as defined by the State Property Accounting system) or deleted from the inventory listing.

Recommendation:

We recommend that the Commission delete the items from its inventory that are valued at less than \$1,000 and are not considered controlled or sensitive items as defined by the State Property Accounting system.

Management's Response:

We have complied with recommendations to delete those items from inventory that are valued at less than \$1,000 and not considered controlled or sensitive as defined by the State Property Accounting System.

Section 3:

Factors Prevent the Certification of Performance Measures

It cannot be determined if the performance reported by the Commission for its outcome measures is accurate. The Commission is not getting the performance data from the Natural Fibers Research and Information Center at The University of Texas as described in the measure definition. Instead, the Commission obtains the data for the measures directly from the private companies who process cotton, wool, mohair, and oil seed in Texas because the Commission believes it is more efficient. Since the information being reported is from private third parties, we are not able to audit this data.

Recommendation:

We recommend that the Commission seek to alter their performance measure definitions to reflect how they can provide the best information. The definition should also describe any limitations of the data being reported. In this case, a limitation is caused by the Commission having to rely on outside parties over which they have no control to get the performance data.

Food and Fibers Commission

Detailed Issues and Recommendations

Management's Response:

We have been concerned with the validity of the performance measures and have been in touch with the Legislative Budget Board and Governor's Budget Office in an effort to get these changed in the next Legislative Session. We plan to suggest performance measures that will better define our work and thus be a more accurate and reliable measure.

Results of Performance Measures Review

Related Objective or Strategy ¹	Description of Measure ¹	How Classified	Results Reported ²	Certification Results*					Comments
				C	CQ	FPC	I	N/A	
Agency # 904 Texas Food And Fibers Commission									
A.1	Percent of Texas-Grown Cotton Processed in Texas	Outcome	11%			*			It cannot be determined if the performance reported by the Commission for its outcome measures is accurate. The Commission is not getting the performance data from the source specified in the measure definition. Instead, the Commission gets the data from the private companies who process cotton, wool, mohair, and oil seed in Texas. The Commission feels that it is a more efficient process than what is specified in the definition. Because the data is from private third parties, we are not able to audit the reported performance.
A.1	Percent of Texas-Raised Mohair Processed in Texas	Outcome	30%			*			
A.1	Percent of Texas-Raised Wool Processed in Texas	Outcome	39%			*			
A.1	Percent of Texas-Grown Oil Seed Crops Processed in Texas	Outcome	80%			*			

***Key for Certification Results**

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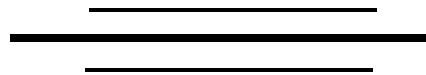
Sources:

¹General Appropriations Act, 73rd Legislature, R.S. (1993).

²Outcomes are reported for FY 1994.

All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

Board of Law Examiners



Fieldwork Completed: March 1996

Board of Law Examiners

Detailed Issues and Recommendations

Overall Conclusion

The Board of Law Examiners (Board) has established reasonable management control systems for policy, information, and resource management. These controls enable the Board to ascertain that applicants for admission to the State Bar meet certain minimum qualifications established by the Supreme Court. However, opportunities exist for improving controls over the Board's accounting function, purchase of its new information system, and performance measurement and planning process.

Background

The Board determines the eligibility of candidates for admission to the State Bar, holds hearings on moral character and fitness, prepares and administers the bar examination, and determines if attorneys from other states meet the admission requirements. After admission requirements are met by a candidate, the Board recommends applicants to the Supreme Court for licensing.

The Board's operations are funded by applicant fees. The Board is not subject to classification requirements, strategic planning, or performance measurement requirements. The Board employs 17.5 full-time equivalent employees and has an operating budget of \$1.6 million for fiscal year 1996.

Section 1:

Continue to Improve Controls Over the Accounting Function

Weak internal controls existed over the Board's accounting function. The weak controls were caused by the lack of a complete set of accounting policies and procedures to guide staff in performing the necessary accounting functions. In addition, the accounting system was poorly documented and overly complicated. As a result, the Board's 1995 annual financial report contained inaccurate information. For example, deferred revenue was understated by \$80,000 and fixed assets were understated by \$7,362.

A poor audit trail for transactions existed prior to August 1995. Entries from the automated system could not be traced back to journal entries and no reference numbers existed to verify supporting documentation. Prior to the audit, management was aware of the control problems that existed over the Board's accounting function. The Board had begun to take steps to address these weaknesses by implementing a new accounting system and hiring a consultant.

Recommendation:

We recommend that the financial policies and procedures manual be completed as soon as possible. Policies and procedures should be modified and improved as needed to

Board of Law Examiners

Detailed Issues and Recommendations

ensure that Board staff can effectively perform accounting duties. The Board should also cross-train additional personnel to perform critical accounting tasks to ensure coverage in cases of illness or turnover in the accountant position.

Management's Response:

We had identified the problem of internal controls prior to the arrival of the audit team in our office and had already begun taking significant steps toward solving the problem. As documented for the audit team, a lack of responsiveness to my ongoing concerns about the need for a complete set of accounting policies and procedures was the very issue which had resulted in a change in our accounting personnel prior to the audit.

In addition, several months before the audit team arrived, we had reached the decision to abandon the insufficient accounting program developed by the prior accountant, had purchased a new accounting package which provides audit trails, had already begun using this program in certain areas, and were studying how best to solve the transition problems associated with total implementation. Upon the arrival of the audit team, we summarized this situation for them and sought their input as to the sufficiency of the newly purchased accounting package for across-the-board use in our total operations. Upon receiving the team's opinion that the package was sufficient and that it would be a definite improvement, we made the decision and commitment to convert all our accounting functions to the new program. Actual implementation of this decision was necessarily delayed until we had hired a permanent, qualified accountant. All of these decisions were made before the exit conference.

Since that time, we have hired an accountant who has implemented the new accounting software for all Board functions. He has also performed an audit of all the Board's books back to the end of Fiscal Year 1995 and made amendments where necessary to reflect the correct financial position of the Board.

Other steps we have and are taking which are responsive to this recommendation concern cross-training and procedures review. Our accountant is cross-training our purchaser (since our agency is too small to justify the hiring of additional accounting personnel) in the use of the new accounting software, so that we will have back-up capability in the event of the absence of the accountant or in the event of a change in personnel. Our financial procedures manual is being reviewed, revised, and updated, with the goal of having a complete set of accurate and up-to-date accounting procedures which provide well-documented guidance for agency staff.

Board of Law Examiners

Detailed Issues and Recommendations

Section 2:

Analyze and Document the Board's Needs Before Purchasing a New Information System

The Board is considering the purchase of a new information system. However, the Board has not formalized the analysis of its requirements for this new system. A formally documented needs assessment helps to ensure that the Board has a thorough understanding of what needs exist and how those needs can be met.

The Board has met with potential vendors and discussed its information system needs. However, allowing vendors the latitude to assess the needs of its customers creates the possibility of oversell, an expectation gap between agency and vendor, and vendor conflict of interest. Establishing a formal requirements definition allows the agency to compare vendor recommendations with an established criteria. It also helps to ensure that desired controls are built into the system being developed.

Recommendation:

We recommend that the Board, through self-evaluation or an independent consultant, formally document its comprehensive information system needs. An impartial analysis will allow the Board to determine its informational needs. Those needs should be used as criteria for evaluating its information system options.

Management's Response:

Prior to the delivery of the report we acted on the oral communication of the audit team concerning this matter, and we have conducted a self-evaluation and documented our information system needs in a formal report. We delayed all decisions on the new information system until the completion of the report, which is being used as a basis for development of the criteria which the new system must meet.

Section 3:

Improvements Could Be Made in the Board's Overall Planning Process and Identifying and Monitoring Performance Measures

The Board's controls over the areas of policy management and performance measurement could be improved by expanding current long-range planning and performance monitoring.

Board of Law Examiners

Detailed Issues and Recommendations

Expand and Formalize Planning Efforts - By statute, the Board of Law Examiners is not required to develop a strategic plan and does not formally do so. The Board does perform many of the functions included in a strategic planning process but does not integrate and document the information as part of an overall long-range planning effort.

Strategic planning, as adopted and implemented by Texas state government, is a fundamental means of ensuring that an agency has identified what it should be doing and how it should be doing it. It is a long-term, future-oriented process of assessment, goal setting, and decision-making that maps an explicit path between the agency's present position and its vision of the future. It is designed to improve the evaluation of agency programs and increase accuracy in decision-making by management and staff.

Expand and Formalize Performance Monitoring Efforts - The process of evaluation and adjustment of the Board's programs and operations can be improved through the use of selected quantifiable performance measures. The Board informally monitors its performance; however, it has not developed a regularly monitored set of measures to assess agency, divisional, and employee performance.

Without some useful and reliable measures of performance, the Board may have more difficulty in routinely and objectively determining the success of operations in terms of increased productivity, fewer errors, more useful reports, etc. Monitoring of outcomes, outputs, and efficiencies can assist in identifying expectations and setting goals. Required adjustments to programs and procedures can then be made to achieve desired results.

Improved methods of measuring performance and a formal planning process will enable the Board to better determine that it is meeting the goals of its enabling legislation, maintaining control over the efficient use of state resources, and increasing accountability within the Board.

Recommendation:

We recommend that management develop and implement a strategic planning process. The Board should consider using the model developed by the Governor's Office of Budget and Planning and the Legislative Budget Board in developing its strategic plan. This plan should include environmental analysis, mission, objectives, and strategies.

Board of Law Examiners

Detailed Issues and Recommendations

Furthermore, the mission, goals, and objectives should align with each other for the overall benefit of the State. It is important that the Board's responsibilities be identified, and that specific methodology be adopted to ensure the efficient accomplishment of the stated mission.

Additionally, we recommend that the Board develop, implement, and routinely monitor a set of performance measures that will accurately provide information to management and oversight organizations about the results of the Board's operations. Other state examining boards already have measures that can be used by the Board as a guide.

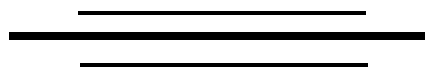
Management's Response:

As you noted in your report, the Board is not required by statute to adopt a formal strategic plan or performance measures. I have presented to the Board itself the examples you provided, and the Board has taken this matter under advisement.

The Board does participate in long range planning, although not in the format recommended in the report. The Board schedules periodic long range planning meetings, at which it studies, considers, and makes decisions on issues expected to arise in the future. We also create numerous reports, though not styled "performance measures," which provide cumulative information to assist us in assessing our performance of our various functions. Examples of these are the character and fitness hearings report (which measures the annual number of hearings and stipulated agreements acted on, probationary licenses recommended, and categorizes the implicated issues) and the preliminary hearings report (by which we continually track the cases which may result in a hearing before the Board).

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Office of Public Insurance Counsel



Fieldwork Completed: October 1995

Office of Public Insurance Counsel

Detailed Issues and Recommendations

Overall Conclusion

The Office of Public Insurance Counsel (OPIC) has established reasonable management control systems for policy, information, and resource management. Although OPIC has some controls in place over performance measures, we were unable to certify two measures. (Refer to Performance Measure Certification Matrix on page 32 for additional information.) There were no significant findings or recommendations for improvement as a result of our review.

Background

The Office of Public Insurance Counsel (OPIC) was created to represent the interests of Texas insurance consumers in judicial proceedings and proceedings before the Texas Department of Insurance. In hearings and court proceedings, OPIC represents consumers as a class rather than individuals. OPIC is the legal advocate for consumers on forms, rule changes, and other insurance issues just as attorneys advocate companies' positions. OPIC received \$951,046 in appropriations for fiscal year 1996 and has a staff of 19 employees.

Results of Performance Measures Review

Related Objective or Strategy ¹	Description of Measure ¹	How Classified	Results Reported ²	Certification Results*					Comments
				C	CQ	FPC	I	N/A	
Agency #359 Office of Public Insurance Counsel									
A.1.1	Number of Significant Rate Hearings Outside the Flex Band in Which OPIC Participated	Output	3	*					
A.1.1	Average Cost Per Rate Hearing in Which OPIC Participated	Efficiency	\$47,684			*			We could not make a determination on the accuracy of the reported performance of this measure because supporting documentation for the first quarter calculations could not be located. In addition, year-to-date performance results were inadvertently not updated to report performance cumulatively. (For OPIC's Response, see page 34.)

Sources:

¹General Appropriations Act, 73rd Legislature, R.S. (1993).

²Outputs and Efficiency results are reported for the first three quarters of FY 1995. All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

***Key for Certification Results**

- C - Certified
- CQ - Certified With Qualifications
- FPC - Factors Prevented Certification
- I - Inaccurate
- N/A - Not Applicable

Results of Performance Measures Review, concluded

Related Objective or Strategy ¹	Description of Measure ¹	How Classified	Results Reported ²	Certification Results*					Comments
				C	CQ	FPC	I	N/A	
Agency #359 Office of Public Insurance Counsel									
A.2.1	Number of Significant Responses to Legislative Requests	Output	71	*					
A.2.1	Average Cost Per Judicial Proceeding (Appellate and Otherwise) in Which OPIC Participated as a Party of Record	Efficiency	0					*	OPIC did not participate in any judicial proceedings the first three quarters of FY 1995.
B.1.1	Average Cost Per Consumer Reached Through Agency Publications/Reports and Public Presentations/Apearances	Efficiency	\$0.17					*	OPIC reports that it cannot gather the data necessary to report the performance for this measure accurately. OPIC is working to change this measure. (For OPIC's Response, see page 34.)

Sources:

¹General Appropriations Act, 73rd Legislature, R.S. (1993).

²Outputs and Efficiency results are reported for the first three quarters of FY 1995. All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

***Key for Certification Results**

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Management's Response:

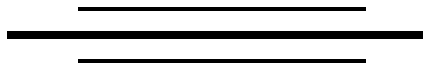
Average Cost Per Rate Hearing in Which OPIC Participated

The factors that prevented certification of this measure--lack of documentation for the first quarter and a data input error which produced non-cumulative year-to-date figures--had been addressed prior to the audit. However, the time period covered by the audit included one quarter prior to implementation of the new documentation procedures. Discussions with the Legislative Budget Board regarding data input in the new ABEST system were ongoing, and the problem has been corrected. In addition, as a result of discussions with the auditors, internal procedures have been improved to more accurately track staff time spent on rate hearings.

Average Cost Per Consumer Reached Through Agency Publications/Reports and Public Presentations/Apearances

The accuracy of this measure has been improved although it continues to be an estimate. The previous formula attempted to measure the number of consumers reached through newsletters, public presentations, and the media. Because it proved impossible to determine the number of consumers actually reached through the media, a new formula has been developed. This formula measures consumer readership of agency newsletters; assesses readership of newsletter articles reprinted in weekly journals based on a biennial survey of the journals; and estimates the number of consumers reached by any additional articles that appear in the five largest newspapers in the state.

Soil and Water Conservation Board



Fieldwork Completed: October 1995

Soil and Water Conservation Board

Detailed Issues and Recommendations

Overall Conclusion

The Soil and Water Conservation Board (Board) has established reasonable management control systems over policy and resource management. However, some opportunities for improvement were noted. Controls could be improved over the *Agricultural and Silvicultural Nonpoint Source Pollution Abatement Program*. The Board needs to make improvements in tracking and reporting performance measures. Information resources policies need to be formalized. In addition, improvements could be made over the human resources recruitment and selection procedures and controls over fixed assets.

Background

The Soil and Water Conservation Board provides state-level administration and coordination of local soil and water conservation programs. The Board encourages the formation of local soil and water conservation districts and disseminates information concerning their activities. The Board acts as a liaison between the local districts and federal agencies, processes applications for assistance with watershed protection and flood prevention programs, and manages a program for nonpoint source pollution abatement. The fiscal year 1996, the Board had 63 employees and appropriations of \$8.7 million..

Section 1:

The Board Could Improve Controls Over the New *Agricultural and Silvicultural Nonpoint Source Pollution Abatement Program*

The Board has developed and implemented a water quality management plan certification program and cost-share assistance program to abate agricultural and silvicultural nonpoint source pollution as required by Senate Bill 503, 73rd Legislature, Regular Session, 1993. The Board has developed policies and procedures to ensure that each certified water quality management plan meets the state water quality standards and the cost-share program is administered effectively and efficiently. However, some opportunities for improving controls in the program were noted:

- The Board is currently developing review procedures to ensure the practices required by the water quality management plans have been implemented and is determining the effectiveness of those practices. The review, to be adopted by the Board, should adequately describe the procedures to be performed in determining the effectiveness of installed practices. Clearly stated procedures and criteria could help ensure that plans selected for review are fully and effectively evaluated.
- The Board does not require local soil and water conservation districts to submit receipts to support reimbursement claims submitted by operators for the implementation of practices required by their certified water quality management plans. They make payments based on a Performance Certification

Soil and Water Conservation Board

Detailed Issues and Recommendations

submitted by the local soil and water conservation district. Basing payment on receipts of actual cost incurred will decrease the risk of an incorrect payment.

- There is no formal procedure to monitor the participation of local soil and water conservation district directors in the cost-share assistance program. The directors are responsible for administering the program in which they may participate. They also may have personal or financial interest in other operations and could participate in the cost-share program.

Recommendations:

We recommend that the Board consider adopting procedures that specifically describe the procedures to be performed during annual status reviews. This should include any tests used to determine the effectiveness of the pollution control practices implemented.

We recommend the Board require that receipts for all cost-share claims be submitted with the Performance Certification to ensure that the amounts paid are accurate.

We recommend the Board develop procedures to better monitor the participation of district directors in the cost-share assistance program. We further recommend the Board develop a disclosure statement to be completed by all directors of local soil and water conservation districts participating in the cost-share assistance program.

Management's Response:

The purpose of the Annual Status Review is to verify that implementation and maintenance of the practices scheduled in Certified Water Quality Management Plans are current and to determine if plan modifications are needed. The implementation schedule should balance the state's need for protecting water quality with producer's need to have sufficient time to implement practices in an economically feasible fashion. Currently we have begun to perform status reviews. They will be performed on a minimum of ten percent of the plans in a district with at least two plans being done in each district. As the reviews are being performed, any potential refinements to the process are noted to be considered for future integration into the procedures. Management feels that this process will result in an excellent process for Annual Status Reviews that will satisfy this recommendation by the State Auditor's Office. (See Auditor Follow-Up Comment).

The rules for the cost share program require that payments are to be made upon certification by the district that work has been completed. The receipts for work completed on the cost shared practices is further documentation that support the transaction. Accordingly we have begun to require that the documents accompany the Performance Certification.

Soil and Water Conservation Board

Detailed Issues and Recommendations

Management has recognized the need to monitor participation of district directors in the cost share program. Early on in the program it was possible to manually monitor their participation due to the lower number of participants in the program. Manual oversight has become much more difficult due to the rapid rise in the number of cost share participants. Currently the accounting records of each participant is being updated to include a district director indicator field for monitoring purposes.

Current statutes governing actions of governmental boards and commissions require members to recuse themselves from board deliberations in potential conflict of interest situations. The fact that the board member was recused and the reason(s) for that recusal must be stated in the minutes of the proceedings. Management feels that these existing statutory requirements are adequate disclosure.

Auditor Follow-Up Comment:

In fiscal year 1995, the Board committed to funding approximately \$2.1 million for water quality improvements. In order to help ensure that this funding brings about the desired outcome of cleaner water, the Board should set some criteria up front by which to judge the results of the program and then make adjustments or refinements as a result of learning more through the monitoring process. Setting clear expectations and goals should help the landowners and the Board measure the success of the practices implemented through this program.

Section 2:

Submit Required Performance Measure Data

The Board did not report quarterly performance measure data for fiscal year 1995. As of August 31, 1995, quarterly reports had not been submitted as required by the Legislative Budget Board.

Recommendation:

Management should submit the required reports to the Legislative Budget Board in a timely manner.

Management's Response:

Management has reviewed and modified the procedures for collecting, entering, and reporting the performance measure data. In addition, training on data entry and reporting is being undertaken to provide for backup and assistance in heavy workload and "fill-in" situations. Currently reports are up to date and being reported on time

Soil and Water Conservation Board

Detailed Issues and Recommendations

and with the actions taken to strengthen procedures management expects that reporting will continue on a current basis as required.

Section 3:

Document Procedures and Responsibilities of Information Resources Committee

Management has established an informal Information Resources Committee to advise management in making automation decisions. However, the Board has not documented advisory procedures and responsibilities of the Information Resources Committee. Formalizing the Committee's role helps ensure that it is clear to all members where the responsibilities lie, and how and where decisions regarding the Board's automation policies are made.

Recommendation:

Management should take appropriate steps to ensure that members of the Information Resources Committee are fully aware of their advisory role.

Management's Response:

The Information Resources Committee was formed to review and make recommendations on automation matters on an as needed basis determined by management. During the period of expansion to implement SB503, the committee was extremely helpful to management providing advice in the many automation decisions that had to be made supporting the new program and staff. Currently management is reviewing the continued functioning of the committee to determine its future role in assisting management.

Section 4:

Improve Human Resources Recruitment and Selection Procedures

In our testing we noted one case in which the Board failed to post a position where someone was hired from outside the agency. This is in violation of Government Code, Section 656.001 (State Agency Employment Openings) which states "any agency, board . . . in the executive or judicial branch of state government that has an employment opening for which persons outside the agency will be considered shall list the opening with the Texas Employment Commission." (V.T.C.S. Art. 522g-2.)

Soil and Water Conservation Board

Detailed Issues and Recommendations

Recommendation:

We recommend the Board establish procedures to ensure compliance with the statute requiring all agencies to list all job openings with the Texas Employment Commission for which persons from outside the Board will be considered.

Management's Response:

Current procedures are in place to ensure that all job openings for which persons from outside the agency will be considered are posted with the Texas Employment Commission. The situation that led to this recommendation was an isolated case in which an employee of the Association of Texas Soil and Water Conservation Districts was hired into an entry level position. Due to the close working relationship with the "Association" on a day-to-day basis, the hiring was treated as an "in-house" hiring. Staff has been properly informed and the situation should not occur again.

Section 5:

Reconcile Fixed Asset Records

The Board has performed a physical inventory for fiscal year ending August 31, 1995. However, the Board's fixed asset records have not yet been reconciled with the State Property Accounting (SPA) system. Reconciliations of fixed asset inventories help minimize risk of misstatements and loss of the State's assets.

Recommendation:

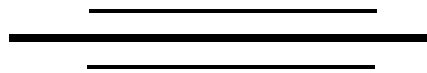
We recommend the Board periodically reconcile its fixed asset records with the State Property Accounting system.

Management's Response:

During the 1994-95 biennium the state's property inventory responsibilities were transferred from the General Services Commission to the State Comptroller. Problems with the conversion data are still in the State's Property Accounting system. The reconciliation of the Agency inventory to the State's system is currently being conducted. Once that reconciliation is completed monthly reconciliations will be performed by property accounting.

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Southwest Collegiate Institute for the Deaf



Fieldwork Completed: March 1996

Southwest Collegiate Institute for the Deaf

Detailed Issues and Recommendations

Overall Conclusion

The Southwest Collegiate Institute for the Deaf (Institute) has established reasonable management control systems for policy, information, and resource management. These controls enable the Institute to provide post-secondary education and training to the deaf and hearing impaired. There were no significant findings or recommendations for improvement as a result of the review. In addition, the Institute was in compliance with the General Appropriations Act provision requiring that appropriated funds and generated fees be expended only for the purposes of the Institute.

Background

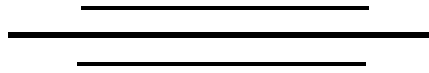
The Institute was established in November 1979 to provide deaf and hearing impaired residents of Texas and the Southwest with an opportunity to benefit from a comprehensive, self-contained, and mainstream post-secondary education and training experience. On May 14, 1981, the Governor of Texas signed a bill into law (Education Code, Chapter 131, V.T.C.S.) which established the Institute as a state-supported institution within Howard County Junior College District. The Institute became the third self-contained post-secondary institution for the deaf in the world and the only one in Texas and the Southwest.

The Institute designs programs for the deaf and hearing impaired that promote entry into the workforce. The Institute, through Howard County Junior College District, offers associate degrees and certificates of completion in technical, pre-professional, and general education fields. Job placement services are also provided by the Institute for students and graduates.

In fiscal year 1995, the Institute had 49 full-time equivalent employees and operating expenditures of approximately \$2.4 million. Approximately 85 percent of the Institute's revenues were from state appropriations and the remaining 15 percent from tuition, fees, and auxiliary enterprise.

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Office of State-Federal Relations



Fieldwork Completed: September 1995

Office of State-Federal Relations

Detailed Issues and Recommendations

Overall Conclusion

The Office of State-Federal Relations (Office) has established management control systems for policy, information, and performance management. Opportunities exist for improving controls over the Office's budgetary process, financial and property management systems, and human resources management. The Office has had a complete management turnover in the past year. The new management team had already identified some of these weaknesses and begun work to improve some controls prior to our audit.

Background

The Office of State-Federal Relations was created to increase the State's receipt of federal funds and to maintain an active role for Texas in the national decision-making process. It monitors federal developments that are of interest and concern to the State. The Office provides state officials and agencies with information on current federal legislation and agency actions and coordinates state officials' attempts to influence federal actions on behalf of the State. The Office reported total fiscal year 1995 operating expenditures of \$1.7 million and currently employs 16 full-time equivalent employees, down from 22 in the last biennium.

Section 1:

Develop a Budget to Plan, Monitor, and Control Expenditures

As of September 1995, the Office did not have a budget for the current fiscal year to help plan, monitor, and control expenditures. A budget documents an organization's financial resources and spending priorities. As a management tool, it helps align financial resources with agency goals and objectives. Regular, periodic analysis of monthly actual-to-budget spending variances decreases the risk of material errors and irregularities.

It was noted during the review that the Office was beginning the process of developing a budget for the current fiscal year.

Recommendation:

We recommend that management develop a fiscal year 1996 budget to plan, monitor, and control expenditures as soon as feasible.

Management's Response:

A budget for fiscal year 1996 has been completed and forwarded to the Comptroller's office as of November, 1995.

Office of State-Federal Relations

Detailed Issues and Recommendations

Section 2:

Strengthen Oversight Over the Accounting and Payroll Functions

A review to verify the accuracy of accounting and payroll data by someone independent of the accounting and payroll functions is not done. Under the current organizational structure, the accounting, payroll, and personnel functions are combined into a single position. While it is not unusual to combine these functions in a small agency, the risks of undetected material errors and irregularities are increased if compensating controls are not developed and implemented.

Recommendation:

We recommend the Office strengthen oversight over the accounting and payroll functions. At a minimum, the Office should formally designate an employee other than the person entering and maintaining the accounting and payroll data to regularly review the accuracy of summary reports. Procedures should include detailed reviews of monthly budget-to-actual variance reports and of payroll detail reports that support the payroll vouchers. These reviews should be documented.

Management's Response:

At this time, the Agency's Special Assistant reviews all accounting and payroll data and signs off on the accuracy of those reports before they are sent to the Executive Director for final review and sign off. That means that there are two individuals besides the Chief Administrator that review all accounting and payroll functions.

Section 3:

Continue to Improve Controls Over the Safeguarding of Property

Our review of the Office's property records, policies, and procedures for safeguarding and accounting for the property of the Office identified the following weaknesses:

- There are no written procedures for conducting the annual physical inventory and reconciling the Office's property records to its general ledger.
- A physical inventory was not done for the 1994 fiscal year.
- Items purchased after January 1994 were not tagged or entered into the Statewide Property Accounting (SPA) system, nor were obsolete or missing items removed from the SPA system.
- During fiscal year 1995, the Office did not perform periodic reconciliations of its general ledger property accounts to the SPA system maintained by the Comptroller's Office.

Office of State-Federal Relations

Detailed Issues and Recommendations

- The Office does not require employees to sign a written statement acknowledging responsibility for property assigned to them.

Written procedures for the proper recording, reporting, and custody of property will help to reduce the risk that property will be lost or misused. We noted that Office management is aware of these weaknesses and is currently working to correct them.

Recommendation:

We recommend that management continue to improve controls over the safeguarding of property as follows:

- Develop written policies and procedures for the proper accounting and custody of the Office's property.
- Complete the review of Office property records and make the necessary adjustments to the records in order to appropriately report property.
- Perform periodic reconciliations of general ledger property accounts to the State Property Accounting system.

Management's Response:

The agency agrees with the Auditors findings and has immediately undertaken the necessary steps to ensure that written policies and procedures for proper accounting of state property are in place. Furthermore, the Agency has already completed a review of all the property records at the Agency for proper reporting.

Section 4:

Enforce Policies and Improve Controls Over Human Resources Management

Current documentation regarding determination of Fair Labor Standards Act (FLSA) exempt/non-exempt status was not available for all employees. An agency must maintain documentation supporting FLSA exempt/non-exempt determinations in order to fully comply with the provisions of the law.

The Office did not prepare written performance evaluations covering fiscal year 1995, as required by Office policy. Formal and documented performance evaluations help ensure that employees receive timely feedback and also provide support for any personnel actions.

Office of State-Federal Relations

Detailed Issues and Recommendations

The Office's timekeeping procedures are not always followed. We also identified some instances where there were discrepancies in the recording of employee time. Although the Office has personnel policies related to the accruing and recording of compensatory and sick leave, controls to enforce such policies are weak. Additionally, there is no review of timekeeping records by anyone other than the individual who maintains the records.

Recommendations:

The Office should review the duties and responsibilities of all positions to determine the appropriate FLSA exempt or nonexempt status. All employees should be informed of their FLSA determinations. The Office should also maintain documentation to support the determinations, including basis of FLSA exempt determinations (Executive, Administrative, or Professional).

We recommend the Office enforce the existing policy requiring annual performance evaluations of employees and consider designating an employee to monitor compliance with this policy.

We also recommend the Office enforce its existing policies over time and attendance records. In addition, we recommend that procedures be developed for the periodic review of time keeping records by someone other than the person maintaining the records to help ensure accuracy.

Management's Response:

The Agency has already undertaken the proper reclassification of all employees and informed those employees of their current status under FLSA guidelines.

With the vast change in personnel over the summer, only 3 of 16 employees have been with the agency more than 6 months. Therefore, annual evaluations will be initiated for all employees this spring when all employees will be up for review.

The Agency has already undertaken new time and attendance procedures that require all Agency personnel to keep a written record of their hours worked and to have their immediate supervisor, as well as the Executive Director, review these time sheets and sign off on them on a monthly basis before any annual, sick, or compensatory time is added to their Employee Time Summary.

Results of Performance Measures Review

Related Objective or Strategy ¹	Description of Measure ¹	How Classified	Results Reported ²	Certification Results*				Comments
				C	CQ	FPC	I	
Agency # 333 Office of State-Federal Relations								
A.1.1	Number of State Priority Issues Identified and Implementation Plans Developed	Output	1	*				
A.1.1	Number of Formula Funding Adjustment Recommendations Identified and Implementation Plans Developed	Output	3	*				

Sources:

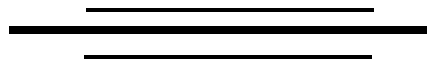
¹General Appropriations Act, 73rd Legislature, R.S. (1994).
²Outcomes are reported for the first three quarters of FY 1995. All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

***Key for Certification Results**

- C - Certified
- CQ - Certified With Qualifications
- FPC - Factors Prevented Certification
- I - Inaccurate
- N/A - Not Applicable

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Follow-Up Audit
Board of Barber Examiners



Fieldwork Completed: April 1996

Follow-Up on the Investigative Audit of the Board of Barber Examiners Management Letter Dated October 14, 1994

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Findings	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 502 Board of Barber Examiners					
<p>Controls are not adequate to ensure that travel vouchers are submitted in accordance with state law and applicable travel regulations.</p>	✓			<p>Controls over travel vouchers have improved. Our test results showed that travel was made for state business and was adequately supported. However, the Board could strengthen controls further by verifying the mathematical accuracy of a sample of travel vouchers each time they are submitted. Of the 21 travel vouchers tested, four vouchers (19 percent) had errors. We noted three vouchers with mathematical errors and one case of noncompliance with reimbursement exceeding \$55 for lodging. The net underpayment as a result of these errors was insignificant (less than \$60).</p>	<p>In regards to strengthening controls further by verifying the mathematical accuracy of all travel vouchers, a three step review of all travel vouchers has been initiated. In order to alleviate mathematical errors, the Accountant II reviews all travel vouchers for correctness. Upon completion, the Accountant III conducts the same type of audit of the documents before being submitted to the Executive Director for final approval. The Executive Director also reviews each travel voucher for correctness before final processing.</p>

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Investigative Audit of the Board of Barber Examiners, continued

Previous Findings	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 502 Board of Barber Examiners					
<p>Controls are not adequate over the activities of Barber Board inspectors.</p>	✓			<p>The Board has taken steps to strengthen controls over the activities of inspectors. Controls could be improved further by developing and implementing clear and thorough guidelines and criteria for use in conducting inspections of barber shops and schools. Documented policies and procedures would make inspections more efficient, effective, and consistent.</p> <p>The Board should perform a risk analysis on all barber shops and identify shops with recurring problems. Based on this risk assessment, criteria should be established to target shops with recurring problems more frequently.</p>	<p>In regard to strengthening controls over the activities of inspectors, the agency expects all documented policies and procedures concerning the inspectors' daily operations to be completed by December 31, 1996.</p> <p>Regarding the audit recommendation that the agency should perform risk analysis on all barber shops and identify shops with recurring problems, the Barber Board is currently in discussion with the Legislative Budget Board and Governor's Office of Budget and Planning to alter some of the agency's current performance measures in order to target problem shops throughout the State instead of generically inspecting each shop once every three months.</p>

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Investigative Audit of the Board of Barber Examiners, concluded

Previous Findings	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 502 Board of Barber Examiners					
Controls over licensure are not adequate and may violate statutory requirements.	✓			The executive director has procedures in place to ensure that statutory requirements are not violated. All previously noted material deficiencies have been corrected.	
Controls are not in place to ensure that all Board meetings are held in accordance with the provisions of the Texas Open Meetings Act.	✓			All Board meetings beginning January 1995 were held in accordance with the provisions of the Texas Open Meetings Act.	
Management of the agency's operations is inappropriately being performed by the Board.	✓			The Board has placed the responsibilities of chief executive officer on the executive director. All previously noted deficiencies have been corrected.	

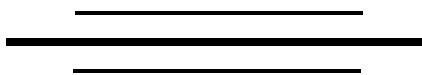
¹ Key for Implementation Status

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Follow-Up Audit
Board of Chiropractic Examiners



Fieldwork Completed: March 1996

Follow-Up on the Management Control Audit of the Board of Chiropractic Examiners

SAO Report No. 94-017

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 508 Board of Chiropractic Examiners					
The Board should adopt criteria to be used in field investigations.	✓			The Board has adopted criteria to be used in conducting investigations. All investigations reviewed were conducted in accordance with the established criteria.	
The Board should develop a method to detect practitioners who hold inactive licenses but continue to practice.		✓		The Board identifies inactive licensees through complaints from other chiropractors and claims filed with Texas Workers' Compensation Commission. However, the Board does not perform any independent verification by monitoring inactive licensees to verify that they are not practicing.	The Board has implemented a compliance visitation process by which representatives of the Board and possibly Board members will enter chiropractic offices unannounced to assure the status of the licensee, the facility and the certification of the radiologic technologist (if applicable). Such compliance visits should act as a deterrent to those who might consider practicing with an inactive license as well as to assure that licenses and registrations are kept current.

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Chiropractic Examiners, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 508 Board of Chiropractic Examiners					
The Board should adopt standardized written guidelines for the process used to license applicants.	✓			The Board has developed guidelines for processing license applicants. Our review of 10 percent of licensee files (116 out of 1160) showed that the guidelines were being followed.	
The Board should approve and ensure the implementation of a performance appraisal system to evaluate all employees.	✓			The Board has developed and implemented policies and procedures to ensure that all employees receive an annual performance evaluation. Our review of personnel files showed that timely performance evaluations were performed.	
The Board should implement agency procedures for segregating accounting duties.	✓			The duties of posting transactions, making deposits, and preparing reconciliations of deposits with the mail log have been segregated.	

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Chiropractic Examiners, concluded

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U N		
Agency # 508 Board of Chiropractic Examiners				
The Board should adopt guidelines to provide direction for committee responsibilities and actions.	✓		The policies and procedures manual was updated to include explicit written guidelines for Board committees.	
The Board should be brought into compliance with the General Appropriations Act by ensuring full Board member attendance in the Administrative Procedures and Texas Register Act (APTRA) course.	✓		All board members received required training in FY95 in the APTRA course.	

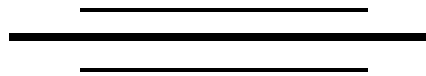
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Follow-Up Audit
Cosmetology Commission



Fieldwork Completed: March 1996

Follow-Up on the Management Control Audit of the Cosmetology Commission

SAO Report No. 94-017

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 505 Cosmetology Commission					
<p>Strengthen enforcement function by establishing policies that promote consistency in monitoring based on risk. Evaluate monitoring resources and activities for opportunities to reallocate or streamline.</p>	✓			<p>The Commission has developed a policy to promote consistency in scheduling and prioritizing inspections. However, the Commission reports that it is unable to follow the policy consistently because it has not been able to maintain a full staff of inspectors.</p>	<p>The Commission has developed a risk-ranking process whereby those schools and salons with recidivism histories are inspected more often than others. However, the Commission is limited in the field because of budgetary constraints and has two vacant positions we cannot fill. Over the last six years, the Legislature has (like all agencies) limited funding to then current-level spending. This fact, coupled with the fact that merit increases have been given to almost all employees during the same period, eventually leads to cutbacks. An average across-the-board merit increase costs approximately \$30,000, so one can see that current level funding and merit increases severely restrict the agency's capacity to fill positions. The Commission has received authority from the LBB and Governor's Budget Office to ask for exceptions in the FY 98-99 LAR. In our LAR, we are requesting additional funding based upon a proposed license fee increase. The exceptions are 90% for funding FTEs. The Commission is hopeful the legislature will see fit to fund the agency appropriately.</p>

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Cosmetology Commission, continued

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 505 Cosmetology Commission				
Evaluate the accounting system's deficiencies. Deficiencies include a lack of double entry bookkeeping and general ledger. The Commission does not perform reconciliations of cash deposits, fixed assets, or expenditures, and maintains accounting records on word processing software.	✓			
			The new Chief Financial Officer has procedures in place to provide for timely and accurate financial information. All previously noted material deficiencies have been corrected.	

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Cosmetology Commission, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 505 Cosmetology Commission					
Develop performance expectations for the executive director and use them to evaluate the executive director's performance.	✓			The Commission has developed an evaluation document and job performance expectations. The commissioners have also conducted an evaluation of the executive director. However, comments are not included in the evaluation to support ratings given to evaluation factors.	A comprehensive evaluation document was developed where all commissioners and the executive director evaluate the executive director. Written comments on each evaluation criterion were provided to the executive director at a commission meeting on July 31, 1996. In addition, since two new commissioners were appointed during the process, the Commission will provide the executive director with a six-month evaluation to allow the new commissioners ample time to be involved in the process.

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Cosmetology Commission, concluded

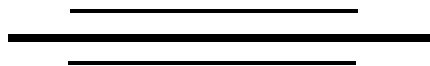
Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 505 Cosmetology Commission					
<p>The Commissioners should take a more active role in the strategic planning process (evaluate, revise/develop, and distribute) and must include Commission staff in the process. The Commission should develop meaningful performance measures for determining effectiveness.</p>	✓			<p>Commissioners and all employees participated in the development of the Commission's last strategic plan. The plan included measures of performance to be monitored. However, the plan could be improved by including information on the external environment that may have an impact on Commission operations.</p>	<p>TCC's Strategic Plan for FY 97-01 was developed cooperatively between all commissioners, internal and external staff, as well as interested licensee holders. A draft was sent to all the above and a period was allowed for comments. Principal comments received came from field inspectors seeking more staff help in the field, as well as capital equipment needs. TCC is in the process of providing laptop computers to field staff so they can dial into our licensing system to ascertain data. This will speed up the field inspection process, reduce internal staff time handling inspector calls, and will enable field inspectors to download reports directly. Overall, commissioners took a very active role with the staff in developing the plan. With respect to external environment, the commission is asking the legislature to put more "teeth" in our statute with reference to enforcement. We are conscientiously attempting to be given such authority to help curb the incidences of repeat offenders. However, with reference to the practice of "kitchen cosmetology," the commission is doubtful we will ever receive "right of entry into residences since this is constitutionally protected.</p>

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up Audit
Texas Ethics Commission



Fieldwork Completed: August 1996

Follow-Up on the Management Control Audit of the Texas Ethics Commission

SAO Report No. 95-133

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 356 Texas Ethics Commission					
Develop a systems development life cycle methodology and use it in future systems development.	✓			The Commission has developed an adequate systems development life cycle methodology. This methodology has been utilized in the development of the Commission's Electronic Filing Program.	
Restrict physical access to the network file servers.	✓			The Commission has installed a door with a grate for ventilation to the room containing the network file servers. This door remains locked with keys being distributed to the Director of Computer Services and the assistant programmer.	
Implement vendor's approach for backup and tape rotation and document backup/recovery plan.		✓		The Commissions' backup and recovery policies and procedures manual has been updated. The daily, weekly, and monthly backups are stored in a metal, fire-proof safe. The backup tapes are now tested on a monthly basis. However, the Commission's monthly backup tapes are not stored off-site as recommended by the vendor.	We are currently making arrangements with the State Archives to store our monthly backup tapes in their facility. Our plan for the future is to keep backup tapes for the twelve preceding months stored offsite at the State Archives.

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented

Follow-Up on the Management Control Audit of the Texas Ethics Commission, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 356 Texas Ethics Commission					
Improve testing of the Disclosure Database by developing a comprehensive test plan.	✓			The Commission has developed a comprehensive test plan which is used to test programs that are developed by the Commission. Internal users are involved in the testing process of a new system. We noted that 100 percent of the campaign finance reports tested had been accurately entered into the Disclosure Database. Additionally, the Commission has developed adequate documentation standards for the database.	
Develop written accounting policies and procedures and monitor for compliance.	✓			The Commission has developed an accounting policies and procedure manual which is used to assist in monitoring for compliance. The Commission has segregated the duties of personnel responsible for accounting, personnel, and inventory.	
Obtain written receipts for property assigned to employees and meet Statewide Property Accounting System (SPA) criteria.	✓			The Commission now requires all employees to sign and verify their equipment. The Commission has also developed a policies and procedures manual for inventory.	

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented

Follow-Up on the Management Control Audit of the Texas Ethics Commission, concluded

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 356 Texas Ethics Commission					
Perform timely, written evaluations of all employees. Review the evaluation system.	✓			The Commission has improved the timeliness of evaluating their employees. An employee's performance evaluation form has been developed by the Commission. The Commission has defined job performance categories that are more objective and measurable so that employees can be better evaluated. Also, policies and procedures have been developed regarding merit raises and promotions.	

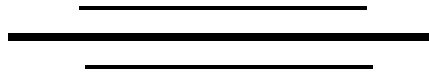
¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented

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Follow-Up Audit
Fire Fighters' Pension Commissioner



Fieldwork Completed: June 1996

Follow-Up on the Management Control Audit of the Fire Fighters' Pension Commissioner

SAO Report No. 95-020

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 325 Fire Fighters' Pension Commissioner					
<p>Improve controls to ensure compliance with personnel guidelines related to (1) achievement bonuses, and</p> <p>(2) vacation leave time.</p>	✓			<p>(1) In order to improve controls over salary increases, the Board voted in March 1994 to conduct an evaluation of the Commissioner at the end of each fiscal year. Despite this policy, the Commissioner has not been evaluated by the Board.</p> <p>(2) The Commission has developed an adequate system to account for vacation leave time.</p>	<p>Although the Board did not have a formal evaluation of the Commissioner during FY95, it did commend the Commissioner and granted her the salary increase authorized by the State Legislature in the 1995 Session. The Board conducted a formal evaluation of the Commissioner at its September, 1996 meeting and will perform an annual evaluation each September. The evaluation is in written form with all Board members participating. The Commissioner's position is unique, in that it is an appointed position by the Governor, and not a position hired by the Board of Trustees.</p>

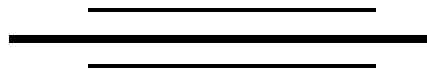
¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

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Follow-Up Audit
Department of Licensing
and Regulation



Fieldwork Completed: March 1996

Follow-Up on the Management Control Audit of the Department of Licensing and Regulation

SAO Report No. 95-020

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 452 Department of Licensing and Regulation					
<p>The Department should institute procedures to ensure inspections are performed on a timely basis and establish a time frame for completing the backlog of (1) boiler inspections, and</p> <p>(2) manufactured housing inspections. (Note: Manufactured Housing was transferred to the Department of Licensing and Community Affairs on September 1, 1995.)</p>	✓			<p>(1) For FY 95, of the 31 uninsured boiler inspections tested out of a total of 25,000, 21 (68 percent) had not been inspected within 90 days of the due date. However, the backlog of uninsured boiler inspections decreased from 7,890 in February 1992 to 2,900 in September 1996. In addition, the Legislature approved an increase in the number of inspectors from 11 to 13 for the FY 1995-96 biennium. Department staff states that based on the current staffing level, it will take the Department 3.5 years to eliminate the backlog.</p> <p>(2) The Department of Housing and Community Affairs (TDHCA) has implemented procedures to improve the rate of actual inspections to attempted inspections. In addition, TDHCA is in the process of developing standard operating procedures for installation inspections. TDHCA should ensure that the new procedures address the backlog and timeliness of inspections. TDHCA acquired a backlog of approximately 20,000 inspections from the Department of Licensing and Regulation on September 1, 1995, when Manufactured Housing was transferred to TDHCA.</p>	<p>(1) We are pleased that the inspection backlog for uninsured boilers has decreased as planned. We already had exhausted the limits of what procedures could do and were faced with the need for more inspectors. Additional inspectors that the Legislature approved, improvements in administrative processes and training have led to a 64 percent reduction in the backlog of uninsured boiler inspections since this audit was conducted. We hope that the Legislature will meet our request of two more inspectors in the next biennium so that we may eliminate the backlog more quickly than predicted and can address other pending issues.</p> <p>(2) The Department concurs with the recommendation. The new procedures will address timeliness of inspection and a time frame for addressing the backlog.</p>

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Department of Licensing and Regulation, concluded

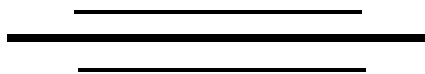
Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 452 Department of Licensing and Regulation					
<p>The Department should follow its procedures of letting the Human Resources Division screen applicants to ensure they meet minimum qualifications and document justifications for any deviations from this procedure. In addition, applicant experience and qualification verifications should be done on a consistent basis.</p>	✓			<p>Our review of 4 of the 21 personnel files of newly hired employees showed:</p> <p>Personnel files contained supporting documentation to demonstrate that the applicants met the minimum qualifications stated in the corresponding job postings.</p> <p>The Department is requesting and reviewing transcripts, personnel recommendations, and results of examinations to verify employee qualifications.</p>	

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up Audit
State Pension Review Board



Fieldwork Completed: April 1996

Follow-Up on the Management Control Audit of the State Pension Review Board

SAO Report No. 95-020

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U N		
Agency # 338 State Pension Review Board				
Explore new ways to identify public retirement systems to ensure that all systems are registered.	✓		The Board has developed a systematic process of identifying, contacting, and tracking new public retirement plans. The Board is surveying political subdivisions not currently registered, beginning with hospitals. The Board is in the process of contacting appraisal districts and subdistricts. In addition, the Board consistently reviews the Texas Register to identify new retirement plans.	
Reexamine the comprehensive review process of public retirement systems to determine whether current procedures accomplish desired goals.	✓		Comprehensive reviews of public retirement systems are being performed. The 25 largest systems, with highest priority, are reviewed first. Smaller retirement plans are reviewed subsequently. For fiscal year 1995, 97 percent of the budgeted plans had been reviewed (262 out of 270). For the same year, approximately 87 percent of the total plans had been reviewed (262 out of 302).	

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

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Follow-Up Audit
Board of Examiners of Psychologists



Fieldwork Completed: April 1996

Follow-Up on the Management Control Audit of the Board of Examiners of Psychologists

SAO Report No. 94-017

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 520 Board of Examiners of Psychologists				
<p>Ensure that Board operations are being carried out as planned by actively using performance measures to gauge and monitor the effectiveness and efficiency of operations.</p>	✓			<p>The Agency has revised its methods for compiling the performance reports by including more supervisory and administrative staff in the data collection process and in identifying reasons for under- and over-achievement of performance targets. Increased involvement of supervisory and administrative staff will further contribute to the Agency's use of the performance measures to gauge and monitor agency operations.</p>

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Examiners of Psychologists, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 520 Board of Examiners of Psychologists					
Complete a comprehensive procedures manual that includes the entire certification and licensure process.	✓			The Board has completed the procedures for the non-automated portion of the licensure process. The Board has delayed documenting the procedures for the automated portion of the licensure process because the Board will be contracting with the Department of Information Resources for new software.	The implementation date for the new automated licensure process through the Department of Information Resources (DIR) is February 1997. The original implementation date of October 1996 was postponed by DIR. The new automated system includes documentation that will become the Board's procedures. In the best interest of cost efficiency, the Board elected not to document the current, antiquated licensing system as it will be discarded within the next few months.

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Examiners of Psychologists, concluded

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 520 Board of Examiners of Psychologists				
Develop procedures to ensure compliance with federal, state, and Board personnel requirements: (1) accrual of overtime and vacation leave, and (2) payment of longevity pay.	✓			The Board is using a Quattro Pro spreadsheet to track overtime and vacation leave. The Board is using the Uniform State Payroll System for calculating longevity pay. Testing confirmed that overtime and vacation leave accruals and payment for longevity were correct.
Hold Board employees accountable by providing them with criteria and expectations and develop a formal performance appraisal system.	✓			The Board has developed a policy for performance appraisals which includes definitions of performance ratings and requirements for a merit increase. Performance appraisals are based on job descriptions and adherence to Board policies and procedures.

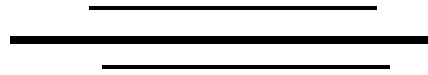
¹ Key for Implementation Status

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Follow-Up Audit
Council on Sex Offender Treatment



Fieldwork Completed: May 1996

Follow-Up on the Management Control Audit of the Council on Sex Offender Treatment

SAO Report No. 95-020

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 346 Council on Sex Offender Treatment					
<p>Develop policies and procedures to ensure that revenues and expenditures are properly recorded (matched) in accordance with GAAP. The Council could not connect seminar receipts and seminar schedules. Revenues were mixed in one fund.</p>	✓			<p>The Council has established a separate fund for conference/seminar revenues and expenditures. However, the Council has not developed and documented a process for handling cash receipts. Approximately 20 percent of receipts tested were not deposited within three business days. In addition, approximately 24 percent of the receipts deposited were not logged in the cash receipts book.</p>	<p>The Council will develop policies and procedures to ensure proper notation of revenues and expenditures. Target date for completion/implementation is January 31, 1997. Checks have been deposited in accordance with GAAP since your original visit to the Council earlier in the year.</p>

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Council on Sex Offender Treatment, continued

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 346 Council on Sex Offender Treatment				
<p>Develop policies and procedures to ensure inventory of publications is accurately accounted for. The Council could determine neither the number of publications sold, given away, used in-house, or balance remaining nor the profitability of the publications it sells.</p>	✓			<p>The Council has developed a database titled "Registry Order Database" to maintain records for Registries that are ordered, invoiced, paid, and sent. Policies and procedures will be developed to maintain better tracking of inventory (Registries) from receipt in the Council office to distribution of any type. The target date for completion and implementation is December 1, 1996.</p>

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Council on Sex Offender Treatment, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 346 Council on Sex Offender Treatment					
Data could be changed at anytime by anyone, apparently including data used for performance measures. A password system existed (only) on the Executive Director's computer. Backup was infrequent.	✓			The Council has implemented the use of passwords and is backing up its files weekly. However, the Council still needs to develop policies and procedures for its automated information systems. The Council also needs to store backup copies of files off-site.	Backed up information will be stored off site beginning October 14, 1996. Policies and procedures will be developed for the Council's automated information systems and implemented by February 1, 1997.
Ensure the criminal background check system complies with enabling legislation on requirements regarding disclosure and destruction of adjudication information.	✓			The Council has developed policies and procedures on obtaining applicants' criminal history records and destroying them twelve months after eligibility decisions are made. Controls appear adequate to ensure that the criminal background check system complies with enabling legislation.	

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 N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Council on Sex Offender Treatment, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 346 Council on Sex Offender Treatment					
<p>Develop a strategic planning process to ensure compliance with the Governor's Office of Budget and Planning and Legislative Budget Board requirements. The Council was merely adopting the goals, objectives, and strategies of its predecessor organization.</p>	✓			<p>The Council has received ongoing input on its strategic planning from the Governor's Office and the Legislative Budget Board (LBB). The current process appears adequate to ensure compliance with strategic planning requirements. However, should the LBB and the Governor's Office stop participating in the strategic planning process, policies and procedures should be immediately developed and implemented.</p>	

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Council on Sex Offender Treatment, concluded

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 346 Council on Sex Offender Treatment					
<p>Ensure compliance with the FLSA provisions and achievement bonus program criteria: (1) evaluate and document classification status of employees; and</p> <p>(2) perform a review of its human resource function and ensure that applicable laws and regulations related to personnel actions are complied with in the future.</p>	✓			<p>(1) The Council met to discuss FLSA exemptions but has not documented the basis on which FLSA exemption determinations were made. FLSA exemptions must be based upon the duties and responsibilities of each position and documentation must be maintained to support the determinations, including the basis of all exemptions (Executive, Administrative, or Professional).</p> <p>(2) The Council has developed a policies and procedures manual for human resources which addresses merit raises, promotions, and demotions. Achievement bonuses are no longer permitted by the State.</p>	<p>The Council staff is comprised of two (2) full time staff: Interim Executive Director and Administrative Secretary. By FLSA definition both positions are exempt. According to Harry Weisbrod Associates in an outline of the Fair Labor Standards Act titled "Salaried Exempt employees Under The Fair Labor Standards Act - Public Sector;" "II. Structure of Exemption, C. Exemption generally requires two things: 1. Salary basis of payment 2. Meeting general "duties tests." Both staff members receive a salary exceeding the FLSA guidelines for minimal payment per week. Both staff members duties exceed the minimal requirements as outlined above. Please note the Council members voted to have both positions be exempt in status.</p>

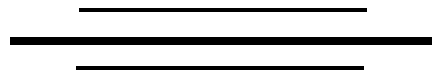
¹key for Implementation Status

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- U - Implementation Underway
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Follow-Up Audit
Board of Tax Professional Examiners



Fieldwork Completed: August 1996

Follow-Up on the Management Control Audit of the Board of Tax Professional Examiners

SAO Report No. 96-029

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 337 Board of Tax Professional Examiners				
Correct inaccuracies in the Registrant Tracking System and effectively plan for future system changes.		✓	The overall accuracy of data maintained in the Registrant Tracking System (RTS) has improved. In our test work, no exceptions were noted with registrant names, certifications, gender, or adjusted application dates. However, further improvements need to be made to ensure data accuracy. Approximately 16 percent of the field completion deadlines tested for registrants were either improperly entered or not entered at all into RTS. Nine percent of the completion dates and 6 percent of the application dates tested for registrants were improperly entered into RTS. In addition, 26 percent of the tested entries for race were incorrect. The new application form does have a section to capture race, but these new forms need to be distributed to applicants.	The Board will continue to ensure accuracy of all data. Data that is no longer applicable for the registrant will not be maintained and may be deleted from the system to minimize the total size of the database. The field completion deadline dates are applicable for registrants seeking certification and are not necessary for certified registrants, therefore these fields will not be maintained for certified registrants. The Board had asked individual registrants during phone conversations for their ethnicity (race) data. This procedure did not provide a means for auditor verification but was efficient and timely.

¹Key for Implementation Status
 I - Recommendation Implemented
 U - Implementation Underway
 N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Tax Professional Examiners, continued

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 337 Board of Tax Professional Examiners				
Prepare reports in accordance with statutory requirements.	✓			The Board has focused a great amount of time and effort to ensure all reports are submitted in accordance with statutory requirements. Performance measure definitions have been accepted by the LBB and the ABEST report for the end of FY 96 was submitted prior to the deadline.

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Tax Professional Examiners, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 337 Board of Tax Professional Examiners					
Reconcile licenses issued with revenue received to strengthen controls over cash receipts.		✓		Written procedures have been developed to reconcile issued licenses with revenue, and reconciliations are now being performed. However, the Board needs to follow its internal procedures for separating the duties of preparing and reconciling daily mail logs to daily receipt logs.	Additional training of all personnel will be conducted to ensure full compliance with current procedures. Training will be completed prior to October 31, 1996.
Review and ensure the consistency within the Board's policies for addressing complaints.		✓		The Complaints Committee meets quarterly in conjunction with the Board of Directors' meetings. The Board has developed a complaints form to document verbal and written complaints. In addition, a permanent board agenda item has been established for discussing and reviewing complaints. The wording in policies 7b and 7g of the policies and procedures manual have not been changed and remain inconsistent with each other and with the new process.	The Board's policy and procedures will be updated to reflect current complaint procedures at the next quarterly board meeting.

¹ Key for Implementation Status
 I - Recommendation Implemented
 U - Implementation Underway
 N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Tax Professional Examiners, continued

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 337 Board of Tax Professional Examiners				
<p>Ensure compliance with statutory requirements for Licensing Agencies:</p> <p>(1) Administrative Law and Liability Conference.</p> <p>(2) Provide Tax Professional registrant information needed by Texas Guaranteed Student Loan Corporation to prepare the Default Match Report.</p> <p>(3) Provide written notice of nonrenewal policies for default of guaranteed student loans to registrants.</p>	✓		<p>(1) The executive director attended the Administrative Law and Liability Conference. (Note: It is no longer a requirement for each board member to attend this conference.)</p> <p>(2) In FY 94 and FY 95, the Board did not submit the required information to Texas Guaranteed Student Loan Corporation (TGSLC). In FY 96, the Board submitted information but in a format that could not be used by TGSLC.</p> <p>(3) The Board did not provide a written notice of nonrenewal policies for default of guaranteed student loans on applications and renewal notices.</p>	<p>Data diskette was submitted to TGSLC August 8, 1996. Data format was not acceptable. Corrections were made to the data and re-submitted to TGSLC October 8, 1996. Diskettes were delivered to the Attorney General October 7, 1996.</p> <p>Renewal forms for 1997 are scheduled to be mailed to registrants December 1, 1996. The Board's nonrenewal policies will appear on all renewal and application forms.</p>

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² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Tax Professional Examiners, continued

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 337 Board of Tax Professional Examiners				
Develop a formal performance appraisal system.			The Board has not developed a formal employee appraisal system. Documentation is maintained only on poor performance and in a memo format.	The Board is reviewing all job descriptions and will have an official Performance Appraisal System in place by January 1, 1997.
Develop a timekeeping system that provides for the tracking of employees' leave balances.	✓		The Board has developed a timekeeping system. Information from weekly individual reports is entered into the timekeeping system. However, periodic reconciliation of weekly and monthly reports is not being performed. In our test of two employees' time sheets for two months each, we noted numerous errors with hours worked, hours of leave taken, and type of leave taken. These errors would have been detected if reconciliations had been performed. Employees have not been trained on how to properly complete a weekly time report.	The Board has a reliable timekeeping system in place and will conduct training to familiarize all personnel with the proper procedures. Training will be completed by October 31, 1996. Monthly reconciliation/leave status reports have been distributed to all employees since July 1996.

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Tax Professional Examiners, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 337 Board of Tax Professional Examiners					
Develop a disaster recovery plan for the new automated system.	✓			The RTS data was not backed up for a period of seven months between December 1995 and August 1996. In addition, the Board does not have written procedures documenting a disaster recovery plan.	From December 1995 to mid August 1996 the Board conducted weekly RTS backups and maintained the copies locally. The Board has been utilizing the State Library for storing backup diskette for Disaster Recovery Program since mid August 1996 on a semi-weekly basis. Local backups are conducted weekly and sent to the State Library every other week. A formal disaster recovery plan will be completed by December 1996.
Maintain documentation for applicant selection decisions.	✓			Job applications to the Board are graded during interviews. Although applications and grades are maintained, supporting documentation for grades given is not maintained. In addition, one of the grading criteria is "attitude", which is subjective and should be eliminated or changed to a criterion that is more objective. In our review of job applications, the applicant that was selected for the position did not have any grades recorded for screening.	The Board will review all supporting documentation and ensure proper procedures are adhered to for all future job posting and hiring. The grading criteria of "attitude" will no longer be considered for applicants.

¹Key for Implementation Status
 I - Recommendation Implemented
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 N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Tax Professional Examiners, concluded

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 337 Board of Tax Professional Examiners					
Follow internal American with Disabilities Act (ADA) grievance procedures.	✓			Although the ADA grievance was satisfactorily resolved, the Board did not maintain supporting documentation related to the complaint of an employee who has since left the Board. We recommend that the Board maintain documentation related to ADA grievances and provide staff with ADA training.	Current procedures provide all employees with proper grievance procedures and ensures proper maintenance of all documentation. Procedures followed during previous ADA complaint was a one time error. Staff ADA training will be completed by December 1, 1996.

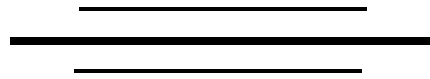
¹Key for Implementation Status

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Follow-Up Audit
Board of Vocational Nurse Examiners



Fieldwork Completed: March 1996

Follow-Up on the Management Control Audit of the Board of Vocational Nurse Examiners

SAO Report No. 94-017, January 1994

Summarized Audit Findings, Follow-Up Audit Results, and Management Responses

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 511 Board of Vocational Nurse Examiners					
The Board should adopt and implement policies for imposing fines for violations.	✓			Effective September 1, 1993, legislation was passed that authorizes the Board to levy fines up to \$1,000 for violations. The Board has adopted this rule in its Rules and Regulations Relating to Vocational Nursing Education, Licensure, and Practice.	
The Board should implement a formal system of performance evaluations for the Executive Director.	✓			Performance evaluations for the Executive Director are now performed on an annual basis. The Board has developed formal policies and procedures for the evaluation process and created an evaluation committee of Board members to perform this function.	

¹ Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Vocational Nurse Examiners, continued

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 511 Board of Vocational Nurse Examiners				
The Board should adopt and document policies and procedures which clearly outline the roles and responsibilities within the accounting function.	✓			The Board has developed and adopted policies and procedures outlining the roles and responsibilities of the staff in the accounting function and how the accounting function relates to other Board operations.

¹ Key for Implementation Status
 I - Recommendation Implemented
 U - Implementation Underway
 N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Vocational Nurse Examiners, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 511 Board of Vocational Nurse Examiners					
The Board should seek legislative authorization to immediately suspend a license pending the investigative and hearings process of charges deemed by the Board to pose an immediate threat to the public.	✓			The Vocational Nurse Act was amended during the 74th Legislature to give the Board authority to temporarily suspend licenses.	

¹Key for Implementation Status
 I - Recommendation Implemented
 U - Implementation Underway
 N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Vocational Nurse Examiners, continued

Previous Recommendations	Implementation Status ¹		Follow-Up Audit Results	Management Responses ²
	I	U		
Agency # 511 Board of Vocational Nurse Examiners				
The Board newsletter should be revised to incorporate the enforcement actions by name, action taken by the Board, nature of the violation, and details of the sanctions imposed. The Board should also consider alternative methods of distributing the newsletter to target all licensed vocational nurses (LVNs).		✓	The Board newsletters in fiscal years 1995 and 1996 contained information on disciplinary actions taken by the Board, but the Board is still seeking legislative approval that will enable the Board to mail out the newsletters to LVNs. In the meantime, the Board distributes newsletters at statewide meetings and seminars for LVNs.	The Board has submitted a budget request to be allocated funding of the Newsletters to be mailed to all LVNs. This is the third Legislative session in which we will approach this issue.

¹Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

² Management responses were requested only for recommendations that were underway or not implemented.

Follow-Up on the Management Control Audit of the Board of Vocational Nurse Examiners, continued

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 511 Board of Vocational Nurse Examiners					
The Board should employ technological resources to automate and streamline the licensing process.	✓			The Board has automated the application process, and, like other states, has contracted with a testing service to administer the national examination.	
The Board should pursue the authority to assess probation fees and develop and implement policies and procedures.			✓	The Board is still studying the issue. Management believes that the collection and monitoring of probation fees is not cost-effective for an agency this small.	The Board plans to pursue the possibility of collecting probation fees within the next year. We are gathering data from other states to identify the process which we could apply.

¹Key for Implementation Status
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² Management responses were requested only for recommendations that were underway or not implemented.

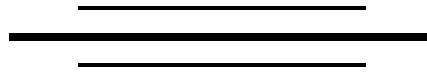
Follow-Up on the Management Control Audit of the Board of Vocational Nurse Examiners, concluded

Previous Recommendations	Implementation Status ¹			Follow-Up Audit Results	Management Responses ²
	I	U	N		
Agency # 511 Board of Vocational Nurse Examiners					
The Board should seek legislative authorization for a testing agency to process examination applications and fees.	✓			The Board has contracted with a testing service to process examination applications. The Board did not seek legislative authorization because Section 6 of the Examination and Licenses of the Vocational Nurse Act only requires that the examination be approved by the Board. The Board still approves the exam even though it is administered by a testing service.	

¹ Key for Implementation Status
 I - Recommendation Implemented
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² Management responses were requested only for recommendations that were underway or not implemented.

Appendices



Appendix 1: Objectives, Scope and Methodology

Objectives

Our audit objective was to conduct financial analyses and assessments of management control systems at eight small agencies that enable them to meet legislative mandates and deliver intended benefits. An additional objective was to certify the accuracy of selected performance measures by examining the data and reviewing the controls over the measures being reported.¹

With regard to the 11 small agencies where follow-up reviews were conducted, our objective was to determine whether recommendations made in previous management control audits were fully implemented, partially implemented, or not implemented.

Scope

Our reviews of the eight small agencies included:

- Determining whether each audited entity was managing or utilizing resources, including state funds, personnel, property, equipment, and space in an economical and efficient manner.
- Evaluating the causes of inefficiencies or uneconomical practices, including inadequacies in management information systems, internal and administrative procedures, organizational structure, and the use and allocation of resources.
- Determining whether financial, program, and statistical reports of the audited entities contained useful data and were fairly presented.

The follow-up reviews of the 11 small agencies included determining whether previous recommendations had been implemented.

Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, and analyzing and evaluating the results against established criteria.

¹ Performance measures were not reviewed at the Commission on the Arts because certain measures had been reviewed and reported in February 1996 in SAO Report No. 96-052. In addition, both the Board of Law Examiners and Southwest Collegiate Institute for the Deaf are not required to report performance measure data to the Legislative Budget Board.

Appendix 1: Objectives, Scope and Methodology

Information collected to accomplish the audit objective included the following:

- Interviews with management and staff
- Documentary evidence, including:
 - State and federal statutes, regulations, and rules
 - Board documents, plans, policies, procedures, manuals, reports, memoranda, minutes, and other written communications
 - Various audit and management reports from both internal and external sources
 - Agency-generated financial data and reports

Procedures and tests conducted:

- Reviewed policies and procedures to ensure alignment of statutory functions, appropriations, and mission in the strategic plan
- Reviewed compliance with Legislative Budget Office directives for selected performance measures
- Reviewed policies and procedures for the management information systems
- Reviewed accounting controls over fixed assets, cash disbursements, and payroll
- Reviewed policies and procedures over human resource activity, including performance appraisal and compliance with selected provisions of the Fair Labor Standards (FLSA)
- Reviewed compliance with applicable laws and regulations in areas of required reports, timekeeping, travel, and funding

Analytical techniques used:

- Financial review and analysis
- Process review and analysis
- Trend analysis
- Content analysis

Criteria used:

- Statutory requirements
- General and specific criteria developed by the State Auditor's Office Inventory of Accountability Systems Project

Appendix 1:
Objectives, Scope and Methodology

- State Auditor's Office Management Control Methodology and Models
- Process criteria from the Comptroller of Public Accounts, Department of Information Resources, and General Services Commission

Other Information

Fieldwork and follow-up work on the 19 small agency audits were conducted from August 1995 through September 1996. All reviews were conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

No significant instances of noncompliance with these standards occurred.

The audit work was performed by:

- Vandita Mehta-Zachariah (Project Manager)
- Phil Kirk (Project Manager)
- Keith Beckford, CPA
- Kanette Blomberg
- Linda Buford, CPA
- Richard Carter
- Curtis Caraway
- Tony Claire
- Jan Engler
- Hector Gonzales, CPA
- Victoria Harris
- Paul Inameti, CPA
- Sharon Lin
- Sherrie Lindig
- Jim McGathy, CPA
- Janet Melton, CPA
- Robert Rodney, CPA
- Janet Tarbell, CPA
- Bruce Truitt, MPAff
- Susan Driver, CPA (Quality Control Reviewer)
- Fran Carr, CPA (Quality Control Reviewer - Overall Project)
- Randy Townsend, CPA (Audit Manager)
- Deborah Kerr, Ph.D. (Audit Director)

Appendix 2:
Summary of Results of Follow-Up Reviews

Agency	Implementation Status*			Total
	I	U	N	
Board of Barber Examiners	3	2		5
Board of Chiropractic Examiners	6	1		7
Cosmetology Commission	1	3		4
Texas Ethics Commission	6	1		7
Fire Fighters' Pension Commissioner	1		1	2
Department of Licensing and Regulation **	1	2		3
Board of Examiners of Psychologists	2	2		4
State Pension Review Board	2			2
Council on Sex Offender Treatment	2	4		6
Board of Tax Professional Examiners	1	7	4	12
Board of Vocational Nurse Examiners	6	1	1	8
Totals (All Agencies)	31	23	6	60
Percentages	52%	38%	10%	100%

** Manufactured Housing was transferred to the Department of Housing and Community Affairs (TDHCA), on September 1, 1995. Therefore, we performed follow-up work regarding inspections of manufactured housing at TDHCA.

* Key for Implementation Status

I - Recommendation Implemented
 U - Recommendation Underway
 N - Recommendation Not Implemented