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State Auditor

The State Auditor's Office

Annual Report for Fiscal Year 2014

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For Fiscal Year 2014**

Audit and Review Team

The Audit and Review Team completed 42 audits and reviews of state agencies, higher education institutions, and other entities in fiscal year 2014. The types of projects performed included:

- Financial opinion audits.
- Financial-related and compliance audits.
- Financial reviews and attestations.
- Performance audits.

Those reports are listed below by General Appropriations Act article. Each report is hyperlinked to the full report on the State Auditor's Office's Web site.

Article I: General Government		
Report Name	Report Number	Date Released
A Report on the Audit of the Office of the Fire Fighter's Pension Commissioner's Fiscal Year 2013 Financial Statements	14-015	12/30/2013
A Report on the Audit of the Employees Retirement System's Fiscal Year 2013 Financial Statements	14-009	11/19/2013
An Audit Report on the Information and Communications Technology Cooperative Contracts Program at the Department of Information Resources	14-007	10/21/2013
An Audit Report on Performance Measures at the Commission on the Arts	14-006	10/14/2013
Article II: Health and Human Services		
Report Name	Report Number	Date Released
A Report on On-site Audits of Residential Child Care Providers	14-043	8/29/2014
An Audit Report on Selected Contracts at the Health and Human Services Commission	14-035	6/20/2014
An Audit Report on Performance Measures at the Department of Aging and Disability Services	14-032	5/22/2014
An Audit Report on Information and Communications Technology Cooperative Contracts at the Health and Human Services Commission	14-013	12/10/2013
Article III: Education		
Report Name	Report Number	Date Released
A Report on the Audit of Texas A&M University - San Antonio's Fiscal Year 2013 Financial Statements	14-031	4/23/2014
An Audit Report on Certification of the Permanent School Fund's Bond Guarantee Program for Fiscal Year 2013	14-030	4/17/2014
Accreditation Reviews Fiscal Year 2013 (see link to report for institutions)	14-028	3/31/2014

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Article III: Education (continued)		
Report Name	Report Number	Date Released
A Report on State of Texas Compliance with Federal Requirements for the Cooperative Extension Service Program at the Texas A&M AgriLife Extension Service for the Fiscal Year Ended August 31, 2013	14-026	2/25/2014
A Report on State of Texas Compliance with Federal Requirements for the Research and Development Cluster for the Fiscal Year Ended August 31, 2013	14-022	2/25/2014
A Report on State of Texas Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Fiscal Year Ended August 31, 2013	14-021	2/25/2014
A Report on the Audit of the Permanent School Fund's Fiscal Year 2013 Financial Statements	14-014	1/3/2014
A Report on the Audit of the Teacher Retirement System's Fiscal Year 2013 Financial Statements	14-010	11/19/2013
An Audit Report on Performance Measures at the Higher Education Coordinating Board	14-008	10/31/2013
Article IV: Judiciary		
Report Name	Report Number	Date Released
An Audit Report on the Collection Improvement Program at the Office of Court Administration	14-011	11/22/2013
Article V: Public Safety and Criminal Justice		
Report Name	Report Number	Date Released
An Audit Report on Selected Contracts at the Department of Criminal Justice	14-019	2/13/2014
An Audit Report on Performance Measures at the Commission on Law Enforcement Officer Standards and Education	14-003	10/4/2013
An Audit Report on the Reading Program at the Juvenile Justice Department	14-001	9/4/2013
Article VI: Natural Resources		
Report Name	Report Number	Date Released
An Audit Report on Selected Contracts at the Parks and Wildlife Department	14-042	8/21/2014
A Report on State of Texas Compliance with Federal Requirements for Selected Major Programs at the Water Development Board for the Fiscal Year Ended August 31, 2013	14-023	2/25/2014
An Audit Report on Information and Communications Technology Cooperative Contracts at the Commission on Environmental Quality	14-012	12/4/2013

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Article VII: Business and Economic Development		
Report Name	Report Number	Date Released
An Audit Report on the LatinWorks Marketing Contract at the Texas Lottery Commission	14-036	6/26/2014
A Report on State of Texas Compliance with Federal Requirements for the Highway Planning and Construction Cluster at the Department of Transportation for the Fiscal Year Ended August 31, 2013	14-024	2/25/2014
A Report on the Audits of the Fiscal Year 2013 Financial Statements of the Central Texas Turnpike System and the Texas Mobility Fund at the Department of Transportation	14-017	1/14/2014
A Report on the Audit of the Department of Housing and Community Affairs' Fiscal Year 2013 Financial Statements	14-016	12/30/2013
Article VIII: Regulatory		
Report Name	Report Number	Date Released
An Audit Report on Performance Measures at the Texas Medical Board	14-029	4/7/2014
An Audit Report on Performance Measures at the Texas State Board of Dental Examiners	14-018	2/6/2014
Cross-cutting		
Report Name	Report Number	Date Released
A Report on State Agency, University, and Community College District Compliance with the Public Funds Investment Act and Investment Reporting Requirements	14-039	7/31/2014
A Report on the Self-reported Implementation of Sunset Advisory Commission Management Actions	14-038	7/15/2014
An Audit Report on Incentive Compensation at the Teacher Retirement System, the Permanent School Fund, the General Land Office, and the Employees Retirement System	14-033	5/30/2014
An Audit Report on Compliance with Benefits Proportional by Fund Requirements at Selected State Entities	14-027	3/7/2014
State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013	14-555	2/28/2014
State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2013	14-325	2/28/2014
A Report on State of Texas Compliance with Federal Requirements for Selected Major Programs at the Department of Public Safety, the Texas A&M Forest Service, and the University of Texas Medical Branch at Galveston for the Fiscal Year Ended August 31, 2013	14-025	2/25/2014
A Report on Analysis of Quality Assurance Team Projects	14-020	2/18/2014

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Non-state Entities		
Report Name	Report Number	Date Released
An Audit Report on the Brazos River Authority	14-040	8/1/2014
An Audit Report on the CSCOPE Contract at Education Service Centers	14-034	6/5/2014
A Summary of Financial and Performance Reports Submitted by Regional Planning Commissions	14-005	10/4/2013
An Audit Report on Selected Groundwater Conservation Districts	14-004	10/2/2013

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Special Investigations Unit

The Special Investigations Unit (SIU) investigates reports of alleged illegal activity and presents the results to prosecuting authorities. SIU publicly reported the results of one investigation in fiscal year 2014. That report is hyperlinked below to the full report on the State Auditor's Office's Web site. SIU also provides training and presentations to other organizations.

SIU Reports Released			
Report Name	Report No.	Date Released	Outcome
A Special Investigations Unit Report - The Higher Education Coordinating Board	14-002	9/23/2013	SIU investigated allegations that a former student submitted a forged Hinson-Hazlewood College Access Loan program payment guaranty and promissory note to the Higher Education Coordinating Board. The former college student was indicted for one count of forgery, which is a third degree felony.

SIU Training and Presentations Provided	
Agency / Program	Course / Presentation
Texas Society of Certified Public Accountants American Accounting Association Texas Fiscal Officers' Academy Department of State Health Services	Let's Make a Deal - Which Fraud Door Should You Be Worried About? Recognizing the Signs of Fraud - Not Your Parents' Fraudsters Identifying and Investigating Allegations of Fraud Trends in Fraud Fraud Awareness: Prevention and Detection Reporting fraud and losses as mandated under Texas Government Code, Chapter 321, and the General Appropriations Act (83rd Legislature)

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State Classification Team

The State Classification Team manages the State's Position Classification Plan in the General Appropriations Act and provides support to state agencies' and higher education institutions' human resources offices. In fiscal year 2014, the State Classification Team released six reports. Those reports are listed below. Each report is hyperlinked to the full report on the State Auditor's Office's Web site.

State Classification Team Reports Released		
Report Name	Report Number	Date Released
A Report on Executive Compensation at State Agencies	14-705	8/29/2014
A Report on State Employee Benefits as a Percentage of Total Compensation	14-704	4/18/2014
A Report on Salary Supplements at State Agencies and Public Higher Education Institutions	14-703	2/24/2014
A Summary Report on Full-time Equivalent State Employees for Fiscal Year 2013	14-702	2/11/2014
An Annual Report on Classified Employee Turnover for Fiscal Year 2013	14-701	1/17/2014
Texas Human Resources Management Statutes Inventory	14-302	9/30/2013

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Professional Development Team

The Professional Development Team coordinates and provides continuing educational opportunities for auditors, accountants, managers, investigators, and other professional staff. During fiscal year 2014:

- 130 courses were held.
- 1,774 public and private sector employees attended the training courses.
- Employees of 93 federal, state, and local government entities and private organizations received training.

In addition, the Professional Development Team coordinated the State Auditor’s Office’s 2014 Annual Audit Conference and the Texas Fiscal Officers’ Academy. It also jointly hosted the National Legislative Program Evaluation Society’s Fall Professional Development Seminar.

Courses That Professional Development Offered	
Internal and External Courses	
Analyzing and Improving Business Processes	How Auditors and Accountants Can Use Excel and Access to Analyze Data (offered twice)
Assessing Risk: Ensuring Audit’s Value	How to Perform an IT General Controls Review
Audit Objectives, Evidence and Findings	Inclusive Leadership
Auditing Contracts	Intermediate/Advanced Excel Features Beneficial for Auditors and Accountants (offered twice)
Auditing Identity and Access Control Management	IS Auditing Principles for Project Managers
Auditing IT Applications	Leadership: Great Leaders, Great Teams, Great Results
Big Data: How to Control (Not Fight) It	Practical Business Writing
Continuous Auditing in the Treasury, Investment, and Derivatives Environment	Project Management Essentials (offered four times)
Contract Auditing	Questionnaires: An Effective and Efficient Way to Collect Information
Controlling the Risk of Asset Misappropriation	Reading and Deciphering SQL for Auditors
Demystifying IT and Process Analysis in Complex Systems	Statistical Data Analytics for Fraud, Waste, and Abuse and Quick Response Audits
Detecting Fraud Through Vendor Audits	Statistical Sampling for Test of Controls, Compliance, and Fraud
Ethical Business Decisions by Texas CPAs	TeamMate Champion (offered twice)
Evaluating IT Security Management	TeamMate EWP User (offered twice)
Excel Macros - Ways Auditors and Advanced Excel Users Can Automate Tasks (offered twice)	The 5 Choices of Extraordinary Productivity
Financial Statement Fraud	Truth, Lies and How to Tell the Difference (Audit Interviewing)
Fraud in Procurement and Contracting	Using Data Analysis to Detect Fraud and Error
Fraud Risk Workshop	
High Impact Performance Audit Project Planning	

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Courses Offered by Professional Development

Internal Only Courses

Analyzing and Documenting Results	OMB's Final Rule: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
Analyzing and Summarizing Audit Results	
Auditing the Contracting Function	Open Records and Confidential Information (offered three times)
Bad Email Habits	
Common Fieldwork Issues at the SAO	Oracle (General Audit Series)
Common Planning Issues at the SAO (Project Leadership Series)	Pension Issues: Remaining Implementation Challenges and New Audit Guidance (Webinar)
Communicating Audit Results	Performance Feedback at the SAO
CPR	Personnel Law for the SAO (offered twice)
Creating Effective Workpapers	Report Referencing
Demystifying Data Reliability (General Audit Series)	Reporting Findings
Demystifying Data Reliability (Project Leadership Series)	Reviewing Audit Documentation (offered twice)
Developing Audit Programs (General Audit Series)	Roles and Responsibilities of the Assistant Project Manager
Effective First Level Review	Roles and Responsibilities of the Project Manager
Effective Interviewing	Sampling at the SAO (General Audit Series)
Evaluating Evidence	Sampling at the SAO (Project Leadership Series)
Expectations for Senior and Managing Senior Auditors	Statewide Systems
Financial Audit Training	Testing General and Application Controls
Finding Your Strengths	The New A133 Data Collection Form and the Revised Federal Audit Clearinghouse System (Webinar)
GASB Review 2014 Webinar	The People Side of Project Management
Internal Control over Compliance in a Single Audit (Webinar)	Understanding Program Processes (offered twice)
Managing IT Related Issues on Your Audit	Updates to GASB 67 & 68
New Auditor Training (13 total courses - offered twice)	Working Well with People
New Auditor Training (14 total courses)	

Other Events That Professional Development Coordinated

- The State Auditor's Office hosted the 2014 Audit Conference at the Texas Capitol. A total of 135 employees from state and local government attended the conference. The State Auditor's Office's General Counsel and Chief of Staff and two additional State Auditor's Office personnel presented at the conference.
- The State Auditor's Office coordinated the Texas Fiscal Officers' Academy, with the assistance of the Legislative Budget Board. The three-week academy had 33 participants and was held in February, March, and April 2014. The State Auditor and 11 additional State Auditor's Office personnel presented at the academy.
- The State Auditor's Office jointly hosted the National Legislative Program Evaluation Society's Fall Professional Development Seminar in September 2013 with the Legislative Budget Board and the Sunset Advisory Commission. The State Auditor and an Assistant State Auditor presented at the seminar.
- The State Auditor's Office instructed courses for other state agencies, including the Department of Aging and Disability Services, the Department of Assistive and Rehabilitative Services, the Health and Human Services Commission, the Office of the Attorney General, and the Office of Credit Consumer Commissioner.

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Other Activities

The State Auditor's Office conducts other work authorized or required by general law and by provisions of the General Appropriations Act, including participation in various workgroups and committees, performing research, and reviewing and monitoring agency activities, in addition to other activities of this Office. The following is a list of those activities.

Other Activities
<p>Audit Delegation and External Audit Contracting</p> <ul style="list-style-type: none">• Conducted activities related to state agencies' and higher education institutions' delegated audit authority.• Monitored the external auditor's performance of a segment of the federal compliance portion of the Statewide Single Audit.
<p>Internal Audit Activities</p> <ul style="list-style-type: none">• Notified all small agencies of their statutory responsibility, pursuant to the Internal Audit Act, to conduct a formal, annual risk assessment as part of their risk management process. Also developed the guidelines and format for the annual risk assessment and reviewed the agencies' submissions (Texas Government Code, Sections 2102.013 and 2102.014).• Notified mid-sized and large state agencies and higher education institutions regarding guidelines for completing their 2014 annual internal audit report. Prescribed the form and content of the annual internal audit report and the time and manner in which internal audit plans and annual reports should be posted on state agency and institution Web sites pursuant to the Internal Audit Act (Texas Government Code, Sections 2102.009 and 2102.015), and reviewed all reports submitted.• Addressed the members of the State Agency Internal Audit Forum at a quarterly meeting.
<p>Monitoring</p> <ul style="list-style-type: none">• Obtained the implementation status of outstanding recommendations contained in audit reports issued by the State Auditor's Office from higher education institutions, agencies, and other audited entities.• Monitored the effect of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (RESTORE) Act on the State.• Monitored key provisions of Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 regarding pension standards.
<p>Participation on Committees, Work Groups, and Task Forces</p> <ul style="list-style-type: none">• Participated in Contract Advisory Team activities in a non-decision making role.• Participated in Quality Assurance Team activities in a non-decision making role.• Participated in Records Management Interagency Coordinating Council activities in a non-decision making role.• Participated in the Medicaid and Public Assistance Fraud Oversight Task Force in a non-decision making role.
<p>Review and Comment</p> <ul style="list-style-type: none">• Reviewed reports from the Health and Human Services Commission's Office of Inspector General and Office of Independent Ombudsman for State Supported Living Centers.• Reviewed tax settlement information provided by the Office of the Comptroller of Public Accounts.

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Other Activities (continued)

Participation on National Audit Organizations

- Five representatives from the State Auditor's Office serve on committees of the National State Auditors Association (NSAA). Those committees are:
 - The Audit Standards and Reporting Committee, which monitors, responds to, or proposes changes to generally accepted accounting principles, auditing standards, and government auditing standards to foster improvements in state government.
 - The Peer Review Committee, which exercises responsibilities over the operations of the NSAA Peer Review Program. Those responsibilities are to develop policies and procedures for performing and reporting on reviews, resolve potential disputes that may arise in the review process, ensure the consistency of reviews, and coordinate with the American Institute of Certified Public Accountants and various federal agencies to ensure the adequacy of the NSAA Quality Control Review Committee Roster.
 - The Performance Audit Committee, which enhances the quality and impact of performance audits by sharing information, coordinating state audit initiatives, educating government decision-makers, reviewing training opportunities, facilitating opportunities to benchmark performance, and recognizing outstanding performance audit practices.
 - The Single Audit Committee, which represents NSAA on matters pertaining to Single Audit laws and regulations and provides a forum for NSAA members to exchange inquiries and best practices on Single Audits.
 - The Auditor Training Committee, which identifies issues that affect current and future operations of state audit organizations. That committee also examines the types of educational programs or other resources that can help auditors address issues, and it plays an active role in developing and overseeing quality, timely programs for NSAA conferences to enhance the professional proficiency of auditors.

Presentations

- The State Auditor participated in the Texas Leadership Forum's panel discussion titled "Investing in Talent: Workforce and Management Strategies for the Best and Brightest in Texas Government."

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Awards and Recognition

The State Auditor's Office received two awards, both of which are described below.

Awards and Recognitions

In July 2014, the National Legislative Program Evaluation Society (NLPES) announced that the State Auditor's Office will receive an NLPES Impact Award for *An Audit Report on Grant Management at the Cancer Prevention and Research Institute of Texas and Selected Grantees* (State Auditor's Office Report No. 13-018, January 2013). That award will be presented at the NLPES professional development seminar in October 2014.

In July 2014, the Legislative Research Librarians section of the National Conference of State Legislatures (NCSL) announced that the State Auditor's Office had received a Notable Documents Award in the statistical analysis category for *An Annual Report on Classified Employee Turnover for Fiscal Year 2013* (State Auditor's Office Report No. 14-701, January 2014). That award was presented at the NCSL's annual legislative summit in August 2014 in Minneapolis, Minnesota.

Copies of this report have been distributed to the following:

83rd Legislature

All members of the 83rd Legislature

Office of the Governor

The Honorable Rick Perry, Governor



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