



Lawrence F. Alwin, CPA
State Auditor

A Review of the Commission on Human Rights' Expenses for Reviewing Entities' Manuals

October 8, 2003

Members of the Legislative Audit Committee:

Labor Code Section 21.455 requires the State Auditor to determine the actual expenses incurred by the Commission on Human Rights (Commission) to review the personnel policies and procedures of state agencies and institutions of higher education. We determined that it cost the Commission \$208,908 to review 35 entities' policies and procedures manuals in fiscal year 2002. To fully recover the costs it incurred, the Commission would have needed to charge \$119 per hour to review entities' policies and procedures manuals. Final cost information for fiscal year 2003 was not available at the time of our review.

State law requires entities to reimburse the Commission for reasonable and necessary expenses it incurs conducting these reviews. However, the Commission does not charge entities the full cost of the reviews that it performs. While it cost the Commission \$208,908 to perform these reviews in fiscal year 2002, the Commission billed and collected only \$47,908. During fiscal years 2002 and 2003, the Commission billed entities an interim rate of \$29.85 per hour plus actual travel costs while it collected information with which to calculate a rate that covered more of its costs.

Commission management has indicated that it does not intend to fully recover the cost of this function. Rather, it has requested and received general revenue appropriations to supplement the funds collected from other entities. In 2002, the Commission was appropriated \$42,000 in general revenue for this strategy. The Commission also had to transfer more than \$100,000 from its other two strategies to cover the difference between what it collected from other entities and general revenue and what it incurred in actual expenses. These transfers were made in accordance with the requirements in the General Appropriations Act (77th Legislature, Article IX, Section 6.08).

In fiscal year 2004, the Commission will use its new rate of \$48.00 per hour. The Commission developed this rate based on its 2002 cost information. We identified several limitations in the Commission's calculation of the new rate. For example, the new rate was calculated using hours that will not be billed to reviews and does not include some staff members who will bill direct hours. The Commission was also appropriated \$232,413 in general revenue for this strategy for fiscal year 2004.

When House Bill 2933 (78th Legislature, Regular Session) takes effect, the function of reviewing entities' manuals will move to the Texas Workforce Commission's Civil Rights Division. (House Bill 2933 will

Objective and Scope

The objective of this review was to determine the expenses the Commission incurred to review entities' personnel policies and procedures. This review covered fiscal year 2002, the most recent fiscal year with complete data. We tested support for direct costs and for 85 percent of the indirect costs for that year. We also verified the Commission's revenues for this strategy for fiscal year 2002 and the first 11 months of fiscal year 2003. In addition, we reviewed the Commission's rate-setting process for the rate it will use in fiscal year 2004. Fieldwork was conducted in August 2003.

The Labor Code requires the Commission to review personnel policies and procedures for each state agency to determine compliance with anti-discrimination requirements. State agencies are to reimburse the Commission for reasonable and necessary expenses incurred in conducting these reviews. The State Auditor's Office is to determine actual expenses (Labor Code Sections 21.453 and 21.455).

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take effect once the Texas Workforce Commission's Civil Rights Division is certified by the appropriate federal agency and the related federal funds are transferred.) At that time, indirect costs will change. The rate will need to be recalculated, giving the Civil Rights Division an opportunity to address the limitations in the rates.

We appreciate the Commission's assistance during this review. If you have any questions, please contact Nick Villalpando, Audit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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cc: Ms. Mary E. Banks, SPHR, Board Chairperson
Mr. Thomas M. Anderson, J.D., SPHR, Commissioner
Mr. C. G. Maclin, Commissioner
Mr. David Manning, Commissioner
Ms. Tivy L. Whitlock, Commissioner
Ms. Nila T. Wipf, Commissioner
Mr. J. D. Powell, Executive Director