

August 20, 1997

Members of the Legislative Audit Committee  
and  
Mr. Mike Sheridan, Executive Director  
Texas Workforce Commission

Dear Members of the Legislative Audit Committee and Mr. Sheridan:

This letter summarizes the results of the client assistance project we recently completed. The objective of this project was to assist the Texas Workforce Commission (Commission) in the implementation of recommendations that were made in our management control audit of December, 1996. With the cooperation of management at the Commission, we have provided client assistance in the areas of financial management, contract administration, and strategic planning.

### **Financial Management**

- We provided input on determining user needs and system specifications for the new accounting system at the Monday and Wednesday planning meetings. Some of the key modules reviewed and commented on included the general ledger module, the grants module, and the purchasing module. One of the primary goals was to ensure new system interfaces will be compatible with inputs to and outputs from the State's accounting system, USAS.
- We reviewed and provided input on the Request for Offer (RFO) for the new budgeting system. The RFO is an initial request to vendors to propose software that is intended to meet the Commission's expectations for the new budgeting system. The new budgeting system's success will be impacted by how well Commission staff evaluates vendor responses, the contract negotiation process, and how well the final contract is written (for example, the inclusion of critical clauses and provisions).
- We produced reports for management by extracting information from the Commission's main frame, loading this information into ACCESS (a database software package), sorting the information, and producing budget and expenditure reports for use in funds allocation and budget-to-actual comparisons. These reports are providing program managers with information on year-to-date expenditures and full-time equivalent employees by program, region, and local workforce area. We also provided training to familiarize Commission personnel with the ACCESS software so these types of management reports can be produced on a regular basis until the new accounting system is implemented.

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- We assisted budget personnel with documenting critical processes and procedures for the \$200 million Child Care Program. Key budget employees were leaving the Commission and critical process steps had not yet been documented. Cross-training in the Budget Division had been limited, and vacant positions had not yet been filled. We prepared a manual that documented Child Care Program processes and procedures and included related flowcharts. Our work in this area assisted with clarifying roles and responsibilities, and will contribute to the training and development of new employees.

### **Contract Administration**

- We provided training to Commission personnel on elements of an effective contract administration system. The training focused on contractor selection, contractor provisions, payment reimbursement methodology, and contractor oversight. The Commission's procurement processes should ensure that the best contractors are fairly and objectively selected, the methods used to establish contractor reimbursement are sufficient to ensure the State pays fair and reasonable prices for services, contractor oversight is sufficient to ensure that contractors consistently provide quality services, and that public funds are spent effectively and efficiently.
- We provided comments to enhance contract provisions for the Dallas County Local Workforce Board contract. Contract provisions and Commission regulations should be sufficient to hold contractors accountable for delivery of quality services and prevent the inappropriate or inefficient use of public funds. In general, contract provision should contain clear statements of services and goods expected from the contractor, clearly defined performance standards and measurable outcomes, and clear statements of how contractor performance will be evaluated. Additionally, sanctions should be sufficient to hold contractors accountable for failing to meet intended objectives, and provisions should include appropriate restrictions regarding the use of public funds.
- We reviewed and provided comments on the Commission's efforts to restructure the organization of and procedures used by the Contracts and Grants Department (Department). Our comments were in response to the Department's solutions for improving contract development, reporting on grant activity, quality control for grant documents, and for controlling the processing of grant documents. The main objective was to provide information that would enhance the Department's efforts to improve the controls for processing contracts and grants in an efficient and effective manner.

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- We provided general information (such as contracting manuals) on other large state agencies' established contract administration practices. The purpose was to enhance the Commission's efforts by providing exposure to other established contracting processes and increasing awareness of common contract administration elements.

### **Strategic Planning**

- We provided input on plans to enhance the Commission's strategic planning processes. The Commission will be hiring a contractor to facilitate the development of a new strategic planning process. Discussions with Commission personnel and the Internal Audit Department focused on the State Auditor's Key Accountability Control framework for reviewing strategic planning processes at state agencies and opportunities for improvement identified in the area of planning during the 1995 State Auditor's Management Control Audit of the Commission.

The goal of the State Auditor's Office is to actively assist government leaders in creating and maintaining strong accountability systems to ensure efficient, effective operation of state agencies and universities. The State Auditor's Office strives to accomplish this by providing useful information through independent, objective assessments and analyses about the accountability of state agencies and universities and by assisting those agencies and universities in implementing changes to enhance that accountability.

Our December 1996 review of controls over policy management, information management, and contract administration indicated these controls within the newly created Commission had not yet been fully developed, documented, and communicated. Strong controls in these areas are essential to ensure the Commission achieves its mission and provides effective oversight of its funds. The objective of our assistance project was to assist the Commission in obtaining an increased level of assurance that it is making progress to successfully implement management controls for these areas of concern.

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We encourage the Commission to continue efforts until accountability control systems and processes and procedures have been fully developed, implemented, and are working as intended. Our Office will continue to monitor the Commission's progress on the full implementation of the audit recommendations. If we can be of further assistance, please contact Frank Vito at 479-3016.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence F. Alwin".

Lawrence F. Alwin, CPA  
State Auditor

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cc: Mr. Bill Hammond, Chairman, Texas Workforce Commission  
Ms. Dianne Rath, Commissioner, Texas Workforce Commission  
Mr. T.P. O'Mahoney, Commissioner, Texas Workforce Commission  
Mr. Frank Almaraz, CPA, Director of Internal Audit, Texas Workforce Commission