



# A Legislative Summary Document Regarding Water Development Board

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The Water Development Board (Agency) had \$235 million available in its Clean Water and Drinking Water State Revolving Fund programs that was not loaned to political subdivisions for wastewater treatment facilities and public drinking water systems. Since the programs began, funds available and demand have exceeded the amount of funds the Agency has committed to loan from the programs.

The Agency is managing the Clean Water and Drinking Water programs in compliance with applicable laws, regulations, and agency policies.

The Agency exceeded the appropriation year 2002 cap on out-of-state and foreign travel by \$7,440 (17 percent over the cap).

Prepared for the 78th Legislature  
by the State Auditor's Office

January 2003

SAO No. 03-364

*This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.*

# Water Development Board

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## Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

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### ***A Review of Implementation of Sunset Advisory Commission Management Actions at 13 State Agencies***

(Report No. 02-067, August 2002)

The Water Development Board partially implemented two of three management actions. The remaining management action was fully implemented.

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### ***An Audit Report on Revolving Loan Funds***

(Report No. 02-059, July 2002)

The Water Development Board (Agency) had \$235 million available in its Clean Water and Drinking Water State Revolving Fund programs that was not loaned to political subdivisions for wastewater treatment facilities and public drinking water systems. Since the programs began, funds available and demand have exceeded the amount of funds the Agency has committed to loan from the programs. Also, since fiscal year 1998, the Agency has not met its performance target for the number of “Small Communities Provided Financial Assistance/Loan Commitments.”

**Status of Audit Recommendations as of  
November 30, 2002**

No status is reported at this time to allow the Agency sufficient time to address recommendations in this recently released report.

The Agency’s Clean Water program was self-sustaining during fiscal years 1999 through 2001, primarily because it had an administrative fund reserve (\$8.8 million as of August 31, 2001). According to the Agency, it uses the reserve fund to balance timing differences between loan commitments and closings. The reserve was the result of additional fees collected in fiscal years 1997 through 1998, before the origination fee was lowered to the current 1.85 percent.

The Agency is managing the Clean Water and Drinking Water programs in compliance with applicable laws, regulations, and agency policies. However, the Agency needs to finalize its draft policies and procedures for the Fiscal Services Division.

The Agency’s Financial Information System, which tracks loans and bonds, and its general ledger accounting system cannot automatically share data. The system’s inability to share data creates duplicative work.

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### ***An Audit Report on State-Issued Bonds for Fiscal Year 2001***

(Report No. 02-035, April 2002)

The bond-issuing state agencies and higher education institutions we audited complied with all significant bond covenants, laws, and regulations regarding bonded debt during the fiscal year ending August 31, 2001. In addition, these entities reported accurate information for the supplementary bond schedules included in the Texas 2001 Comprehensive Annual Financial Report (CAFR).

The total amount of outstanding bond issues of the Water Development Board, as of August 31, 2001, was \$2,639,755,000.

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**State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2001<sup>1</sup>**

(February 2002)

**Cash Management**

The Water Development Board (Agency) drew federal amounts from the Environmental Protection Agency that exceeded the supporting documentation received by two program loan recipients by \$90,962 and \$4,692. According to the State Treasury agreement, the Capitalization Grants for State Revolving Funds funding technique is “Loan Fund Repayment.” As such, federal draws are to be made as invoices are received from loan recipients. The Agency is required to request funds in the amount of the federal share of eligible costs based on invoices submitted. The questioned cost was \$ 95,652.

**Status of Audit Recommendations as of  
November 30, 2002**

KPMG LLP will report on the status of these recommendations in the federal portion of the statewide single audit for fiscal year 2002. This report is expected to be released in Spring 2003.

## Most Recent Performance Measure Certification

**Fiscal Year 1998–Fiscal Year 2003**

The results of *An Audit Report on Performance Measures at 36 State Entities–Phase 12* (Report No. 98-040, May 1998) for this entity are summarized below.

Period	Goal/Strategy	Measure	Certification Results
1997	A	Water Resource Planning	Percent of state drinking water resources with known quantity and quality information provided by TWDB
1997	A	Water Resource Planning	Percent of Texas communities and entities for which TWDB developed long-term water supply plans
1997	A	Water Resource Planning	Percent of Texas entities receiving technical and financial assistance for water-related infrastructure
1997	A.1.1	Data Collection	Number of data records collected and/or processed by TWDB staff
1997	A.2.1	Regional Planning	Number of research studies in progress assisted by grants from Research and Planning fund
1997	B	Meet Texas' Water Needs	Percent of Texas communities financing needed water and waste water infrastructure with support from TWDB
1997	B.1.1	Financial Assistance	Number of communities provided financial assistance/loan commitments
<b>Total Measures Certified Without Qualification<sup>a</sup></b>			<b>6/7 (86%)</b>
<b>Data Reliability Percentage (Certified and Certified with Qualification)</b>			<b>6/7 (86%)</b>

<sup>a</sup> The percentage of unqualified certifications is presented because it is used in determining an entity's eligibility for performance rewards as established in the General Appropriations Act [77th Legislature, Article IX, Sec. 6.31(d)(2)].

<sup>1</sup> Results from only the most recent statewide single audit are included in this Legislative Summary Document. KPMG LLP conducted the federal portion of that audit under contract with the State Auditor's Office. Only excerpts from the KPMG audit report are presented above. For the full text of the KPMG audit report, please see [www.sao.state.tx.us/Reports/report.cfm?report=2002/02-345](http://www.sao.state.tx.us/Reports/report.cfm?report=2002/02-345).

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Category	Definition
Certified	Reported performance is accurate within +/-5 percent, and controls appear adequate to ensure accurate collection and reporting of performance data.
Certified with Qualification	Reported performance is within +/-5 percent, but the controls over data collection and reporting are not adequate to ensure the continued accuracy of performance data.
Factors Prevented Certification	Actual performance cannot be determined because of inadequate controls and insufficient documentation.
Inaccurate	Reported performance is not within +/-5 percent of actual performance, or there is an error rate of at least 5 percent in the supporting documentation.
Not Applicable	A justifiable reason exists for not reporting performance.

## Quality Assurance Team Reviews

Conducted by the Legislative Budget Board and State Auditor's Office

### Completed Projects

*Quality Assurance Team Annual Report – January 2002*

The Water Development Board (Agency) completed the StratMap project. The total cost was \$40,532,999 (per the Biennial Operating Plan).

### Ongoing Projects

*Quality Assurance Team Annual Report – January 2003*

*Water Information Integration and Dissemination (WIID)* — In June 2001, the Agency began this project, in conjunction with the Parks and Wildlife Department and the Texas Commission on Environmental Quality, to develop Geographic Information System Web-enabled technology for water-related information. Current expenditures are \$193,932.

Project	Function	Initial Budget	Current Budget	Budget Change	Initial End Date	Current End Date	Time Change
WIID	Develop technology for Web-enabled water information	\$5,267,456	\$3,895,404	(\$1,372,052)	08/31/05	08/31/05	None

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## Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 308,593	\$ 301,344	\$ 346,111
Out-of-State Travel	44,534	56,226	49,565
Foreign Travel	0	0	2,408
Other Travel Costs	(1,569)	(66)	1,150
<b>Total Travel Expenditures</b>	<b>\$ 351,557</b>	<b>\$ 357,505</b>	<b>\$ 399,235</b>
Limit on Travel Expenditures (Cap)	465,758	465,758	44,534 <sup>a</sup>
<b>Expenditures in Excess of Cap</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,440</b>

<sup>a</sup> Caps apply to total travel in appropriation years 2000 and 2001, but caps apply only to out-of-state travel and foreign travel in appropriation year 2002. Caps, calculated by the Comptroller of Public Accounts, have been adjusted for any increases requested by the Agency and approved by the Legislative Budget Board in accordance with the General Appropriations Act.

Source: Uniform Statewide Accounting System (USAS) as of November 30, 2002. Amounts are subject to change as agencies continue to record additional expenditures or adjustments.