

Internal Controls and Financial Processes at the Structural Pest Control Board

Overall Conclusion

The Structural Pest Control Board (Board) does not always inspect licensed pest control businesses with the frequency required by the Texas Administrative Code. As a result, the Board lacks adequate assurance that these businesses comply with laws and regulations that protect the public's health and safety. In addition, the Board should strengthen certain controls over financial processes and information technology to improve the integrity of its operational and financial data. Automating manual processes could also improve the Board's efficiency.

Mission of the Board

The Board's mission is to protect the health, safety, and welfare of the citizens of Texas and the environment by licensing, regulating, and setting standards and criteria for structural pest control.

The Board received \$2,685,030 in total appropriations for the 2002-2003 biennium. Its number of full-time equivalent positions was capped at 39.

We identified the following specific issues:

- The Board did not inspect almost 21 percent of eligible pest control businesses within the two-year period ending on June 26, 2003. This means that 586 pest control businesses are operating without having been inspected. The Texas Administrative Code requires the Board to inspect businesses that have been issued a structural pest control business license at least one time in any two-year period.
- In its Annual Financial Report (AFR) for fiscal year 2002, the Board did not report as accounts receivable an estimated \$30,500 in penalties it assessed but did not collect during the fiscal year. Based on this estimate, the Board understated its total assets on its fiscal year 2002 AFR by 12.5 percent. The Board should also improve certain controls to ensure accurate financial information.
- Strengthening application and access controls over information technology resources could help the Board ensure that financial and operational data is accurate and protected. In addition, the Board could increase the efficiency of some operational processes by automating functions that are currently performed manually.
- The Board has not changed the questions on its licensing examinations since 1999 (except for its wood preservation exam, which it updated in 2001). Repeat test takers may have an opportunity to memorize exam questions and pass exams without gaining the knowledge necessary to do their jobs safely.

Summary of Information Technology Review

We reviewed selected general and application controls over the Board's network and its licensing and complaints databases. Our work focused on ensuring that the Board has accurate and reliable data to manage its operations. As mentioned above, we found that strengthening application and access controls over information technology resources could help the Board ensure that financial and operational data is accurate and protected. In



addition, we found that the Board could improve its efficiency by automating processes that it currently performs manually.

Summary of Management's Responses and Auditor Follow-up Comment

The Board generally agrees with our findings and recommendations. However, the Board disagrees with our finding that it does not consistently monitor inspectors to ensure that inspectors inspect businesses with the required frequency. The high number of shops that were not inspected in compliance with the Texas Administrative Code shows that the Board needs to improve its monitoring of the inspection function. Our work showed that the Board performs some monitoring; however, it does not communicate to inspectors specific businesses that need to be inspected, and it does not perform monitoring consistently or regularly.

The Board further contends that it did not inspect all businesses because of a reduction of inspection efforts that it instituted to comply with the 7 percent funding reduction mandated in fiscal year 2003. We found that while this may explain some of the uninspected businesses, it is not a reasonable explanation for all of them.