

The Board of Professional Engineers: A Semi-Independent, Self-Directed Agency

Overall Conclusion

The Board of Professional Engineers (Board) lacks basic controls needed to track, carry out, and report financial activities. This lack of control coupled with incorrect accounting practices over the Board's cash expenditures, cash receipts, and cash in bank place Board funds at significant risk through error or fraud. These problems also caused the Board to provide materially inaccurate information in its fiscal year 2002 Annual Financial Report, which could result in financial statement users' making incorrect decisions based on information in the annual report, such as the Board's financial viability as a self-directed, semi-independent agency. The Board's Statement of Activities inaccurately reported that the Board incurred a \$331,906 loss during fiscal year 2002 when, in fact, it had a net income of \$347,448.

Although we did not find evidence of fraud, Board funds are extremely susceptible to misappropriation, which the Board would be unlikely to detect in a timely manner. This situation exists because:

- Personnel in the Board's Finance Team do not have the necessary knowledge, skills, and abilities to account for transactions in accordance with generally accepted accounting principles.
- The Board does not have certain necessary controls over its funds, including ensuring that persons performing certain duties are excluded from performing other duties that would enable them to commit undetected errors or fraud. For example, Finance Team personnel who account for the cash and checks the Board receives also on occasion have access to the actual checks. Having these two duties makes it possible for these employees to divert a check and not be detected.

The Board's report to the State's leadership did not include any of the performance data that is statutorily required to be in the report. In addition, the Board reported inaccurate results to the Legislative Budget Board for one of the two measures we audited.

The Board is in the process of replacing its automated regulatory system and an accounting system. It initiated this project without documenting the requirements and functionality of the final system. Consequently, the project's time line and total cost are uncertain.

Background

The Board regulates the practice of professional engineering in Texas. There are about 49,000 licensed engineers in Texas who practice 27 engineering disciplines. The Board handles about 900 enforcement inquiries per year.

The Board is one of three agencies that come under the Self-Directed Semi-Independent Agency Project Act (Vernon's Texas Civil Statutes, Article 8930). This pilot program, which also involves the Board of Architectural Examiners and the State Board of Professional Accountancy, removed these agencies from the State's appropriations process. Instead, these agencies establish their own budgets, which they have to support with the revenue they generate.

The 78th Legislature passed Senate Bill 1382 to continue the Self-Directed Semi-Independent Agency Pilot Project until September 1, 2009.



In addition, the Board needs to establish complete information technology policies and procedures to ensure the availability, security, maintainability, and data integrity of all its systems.

Summary of Information Technology Review

As stated previously, the Board is in the process of replacing its automated regulatory system and an accounting system. The Board initiated its Licensing and Financial Information System project without documenting the requirements and functionality of the final system. Consequently, the Board has not calculated an estimated cost of the completed project. The final system as currently estimated will cost significantly more than the \$86,760 contract for phase one (acquisition and implementation). For example, the Board has budgeted an additional \$70,000 for fiscal year 2004 phase two enhancements. Without a formal, documented information technology project management plan, the project's time line and cost are uncertain.

In addition, the Board needs to establish complete information technology policies and procedures to ensure the availability, security, maintainability, and data integrity of all its systems.