

# The Texas State Soil and Water Conservation Board

## Overall Conclusion

The Texas State Soil and Water Conservation Board's (Board) past financial reports have not consistently been reliable, in part because the Board has lacked basic written procedures for budgeting and accounting. The Board has met reporting requirements specific to itself, but it has not submitted several key reports required from all state agencies. Some of the reports it did submit contained some deficiencies. For example, the Board's Legislative Appropriations Request did not accurately project future expenditures.

While there are opportunities for the Board to improve its oversight controls of expenditures made or approved by the local soil and water districts, it generally safeguards the physical, cash, and information technology assets held at the central office. The Board's largest expenditures are for cost-share projects implemented by private landowners, such as for brush control. Local districts approve the payments for these projects. The Board needs to strengthen its guidance and oversight of such pass-through expenditures. For example, the Board allows landowners to contract with themselves and related parties. Because this audit focused on the Board's administrative functions and budget, we cannot provide assurance that district-level controls are in place and working effectively. However, we are currently following up on several questionable transactions approved by districts.

The Board was appropriated \$538,265 for its indirect administration strategy for each year of the 2002-2003 biennium. The Board's actual administrative expenditures for these years exceeded its appropriations by 16 percent and 5 percent, respectively. These overages were within the Board's authority to transfer funds across strategies, and the transfers from other strategies did not exceed 25 percent.

The Board also lacks procedures for reporting on its performance. It reports that it meets most of its performance measures; however, our most recent audit of the Board's performance measures could not certify the measures as accurate. This audit confirmed that the Board lacks sufficient procedures and definitions to ensure accurate, consistent performance reporting and progress toward its goals and objectives.

With the exception of not submitting some required reports (as discussed above), the Board complies with key requirements from the Government Code (such as Open Meetings), the Agriculture Code, and the General Appropriations Act. The Board has implemented management recommendations from the Texas Sunset Advisory Commission. However, the

### About the Texas State Soil and Water Conservation Board

The mission of the Soil and Water Conservation Board is to administer the state's soil and water conservation law, coordinate the programs of soil and water conservation districts, and guide the abatement of agricultural and silvicultural nonpoint source pollution.

The weaknesses noted in this report existed before the Board experienced significant changes in the summer of 2003. Specifically, the Board has experienced a reduction in budget; a nearly 50 percent reduction in staffing at its central office; and turnover and reassignments of employees, executive management, and governing board members. We credit management for its positive attitude toward internal controls and the strong contracted internal audit function. We appreciate the cooperation of Board staff throughout the audit.



Board has not maintained a complaint file as required by Section 201.0231 of the Agriculture Code.

In fiscal year 2003, the Board's expenditures to local conservation districts totaled \$3.5 million, and payments to landowners for cost-share programs (such as for brush control) totaled \$13.8 million.

## ***Summary of Information Technology Review***

The Board has made progress in implementing recommendations to address control weaknesses identified during an internal audit of the information technology (IT) function, including compliance with statutory and Department of Information Resources requirements; controls, security, and procedures; and processes and procedures for meeting needs of users.

The Board's IT staff is to be commended on the overall security of the network. Our testing of network vulnerabilities revealed strengths with the Board's wireless system and external network security. However, we identified minor weaknesses with its internal network security. The Board should use the vulnerability reports we provided to address these weaknesses.

## ***Objectives, Scope, and Methodology***

This audit was conducted to meet the requirements of Senate Bill 1828, which stated that:

"Not later than March 1, 2004, the state auditor, in coordination with the Legislative Budget Board, shall conduct a management audit of the State Soil and Water Conservation Board and deliver the audit report to the governor, the lieutenant governor, and the speaker of the house of representatives. The audit report must include an evaluation of the administrative budget for the board."

Accordingly, we coordinated with the Legislative Budget Board throughout the audit, and we have appreciated its advice and assistance. We focused almost exclusively on the administrative functions and budget of the Board's central office in Temple, Texas. Chapter 3 provides summary data on the Board's budget and expenditures, including expenditures for indirect administration.

The objectives for this audit were to determine whether the Board:

- Maintains and reports reliable financial and program data.
- Safeguards its assets and uses them efficiently.
- Makes progress toward its goals and objectives.
- Complies with applicable laws and regulations.

This audit focused primarily on conditions and transactions from fiscal years 2000 through 2003; however, we also took into account newer information as it became available. We conducted this audit in accordance with generally accepted government auditing standards applicable to performance audits.

In addition to sampling and testing financial transactions, our audit methodology included extensive use of analytical procedures, reliance on internal audit findings and recommendations, network scanning, and review of relevant documents such as the Board's enabling legislation and riders from the General Appropriations Act.