

# Table of Contents

## **A Follow-Up Review on Management Controls at the Board of Private Investigators and Private Security Agencies**

---

March 1997

### **Key Points of Report**

**Overall Conclusion** ..... 1

**Additional Issues and Recommendations** ..... 1

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses** ..... 7

**Objective, Scope, and Methodology** ..... 21

# Key Points of Report

## A Follow-Up Review on Management Controls at the Board of Private Investigators and Private Security Agencies

---

March 1997

### Overall Conclusion

Significant control weaknesses and violations of state policy at the Board of Private Investigators and Private Security Agencies (Board) indicate a serious lapse of oversight by agency management and the governing board. Immediate steps should be taken to improve management within the agency and oversight performed by the board members.

### Key Facts and Findings

- Our follow-up review indicates that the Board had not implemented 8 of the previous 22 recommendations. Some of the weaknesses include:
  - There is a lack of controls over financial management. Cash receipts, amounting to over \$5 million in fiscal year 1996, were not safeguarded. There is a lack of separation of duties in accounting.
  - Policies and procedures for Licensing, Examinations, and Accounting have not been developed and implemented. In addition, the Board has not evaluated the methods used to prioritize and process investigations.
  - The Board needs to implement controls over human resource management such as performance appraisals, documentation for personnel actions, and Fair Labor Standards Act (FLSA) exemptions.
- We identified additional issues during our follow-up review. Some of these are:
  - The Board falsified vouchers, fabricated supporting documentation, and incurred unreasonable expenses for Board meetings. The total value of falsified vouchers was \$31,571, and at least \$14,256 were unreasonable expenses for Board meetings. According to agency staff, the practice dates back to 1988.
  - The Board was not in compliance with state purchasing requirements and the timely payment statute.
  - The Board paid first-class airfares without justifying the extra expense. The additional cost to the State for these first-class tickets was over \$1,700.

### Contact

Barnie Gilmore, CPA, Audit Manager (512) 479-4700



## Office of the State Auditor

Lawrence F. Alwin, CPA

---

*This management control audit was conducted in accordance with Government Code, Section 321.0132 and Section 321.0133.*

## Overall Conclusion

Our follow-up on the management control audit of the Board of Private Investigators and Private Security Agencies (Board) indicates that the weaknesses over financial, human resource, and policy management that were identified in the prior audit had not been corrected. Eight of the previous 22 recommendations had not been implemented by the Board. Moreover, we identified additional issues of concern during our follow-up review. These include:

- The Board falsified vouchers, fabricated supporting documentation, and incurred unreasonable expenses for Board meetings. The total value of falsified vouchers was \$31,571, and at least \$14,256 were unreasonable expenses for Board meetings. According to agency staff, the practice dates back to 1988.
- The Board was not in compliance with state purchasing requirements and the timely payment statute.
- The Board paid first-class fares without justifying the extra expense. The additional cost to the State for these first-class tickets was over \$1,700.

## Additional Issues and Recommendations

### **The Board of Private Investigators and Private Security Agencies (Board) Falsified Vouchers, Fabricated Supporting Documentation, and Incurred Unreasonable Expense**

We identified 54 travel and purchase vouchers having an aggregate value of \$31,571 that were falsified. The vouchers pertain to charges for food, lodging, space rental, and other expenses relating to Board meetings conducted during fiscal years 1994 through 1996. The attached supporting documentation was fabricated on an agency computer. The Board's Chief of Administration stated that the practice dates back to 1988. The investigation was performed by the White Collar Crime Unit of the State Auditor's Office.

In some instances, vouchers were submitted for employees who did not attend a Board meeting or incur any expense. In other instances, employee signatures were forged on the vouchers and resulting warrants. All warrants appear to have been conveyed to and deposited by the hotels that hosted the meetings.

The Board improperly incurred at least \$17,609 in food expense from September 1993 through December 1996. At least \$14,256 of the expense exceeded the amount for which Board members and employees were entitled to reimbursement.

Some expenses appear unreasonable. For example:

- At one meeting attended by five Board officials, the Board incurred \$1,412 of food expense, including \$345 for 100 breakfast drinks.
- At another meeting attended by 14 Board members and employees, the Board incurred \$2,584 of food expense, including \$899 for coffee.
- At a third meeting at which 15 Board officials were in attendance, the Board incurred \$2,986 of food expense, including \$1,440 for 45 breakfasts and 45 lunches.
- The Board expended an average of \$809 per Board meeting to rent a sound system and executive chairs.

The travel provisions of the General Appropriations Act limit reimbursement of meal expenses to the actual cost incurred. Employee reimbursement may not exceed \$25 per day. Board member per diem is capped at \$80 per day for the aggregate cost of meals and lodging. The above-referenced expenses were direct billed to the Board by the hotels at which the meetings were conducted, thus circumventing the Comptroller of Public Accounts' requirement that food charges be incurred by individual travelers and submitted for reimbursement on individual travel vouchers.

This matter has been referred to the Travis County District Attorney's Office.

Recommendation:

The Board should ensure that vouchers and supporting documentation are true, accurate, and correct in every detail. The Board should immediately cease incurring expenses for food that exceed the amounts properly reimbursable pursuant to the General Appropriations Act. The Board should incur only those expenses which are reasonable and necessary to the conduct of the Board meeting.

Management's Response:

*The Board acknowledges that errors have been made in the planning, execution and payment for Board meetings. Due to our staffing limitations, we had not segregated the accounting duties sufficiently to identify or prevent the errors.*

*We will make the necessary changes in the way the agency's board meetings are planned and conducted. Only those expenses reasonable and necessary will be incurred. The acting chief accountant will very carefully review the travel and purchasing guidelines with all senior staff. Only expenses for those items falling within those guidelines will be contracted for, incurred or paid.*

*We commit that these problems will never reoccur!*

## The Board Should Follow State Purchasing and Contracting Requirements

The Board did not follow state purchasing requirements. Specifically:

- The Board did not follow state procedures for obtaining competitive bids for two training courses offered in fiscal years 1996 and 1997. The Board paid a total of \$39,700 to the individuals contracted for the two courses. It appears that the Board divided contracts and payments to individuals in amounts less than \$10,000 so that it would not have to comply with the requirements.

Texas Government Code, Chapter 2254, requires that bids should be obtained for consulting services contracts exceeding \$10,000. Section 2254.035 states that a state agency may not divide a consulting services contract into more than one contract to avoid the requirements of the statute.

The statute also requires that an agency notify the Legislative Budget Board and the Governor's Budget and Planning Office of its intention to contract with a private consultant and obtain a finding of fact from the Governor's Office that consulting services are necessary. The Board did not comply with these requirements.

- In addition, the contracts for the consultants were vague and poorly written. The contracts contained no deliverables or specifics about what each contractor was responsible for. The contracts were identical for the five consultants; however, the dollar amount of the contracts varied from \$2,500 to \$10,000.

### Recommendations:

We recommend that the Board:

- Comply with state purchasing requirements in obtaining competitive bids for consulting services. In addition, the Board should notify the Legislative Budget Board and the Governor's Budget and Planning Office prior to contracting for consulting services and obtain a finding of fact that consulting services are necessary.
- Structure all contracts to be specific in regard to deliverables expected from contractors. Additionally, the contracts should include the basis for contract amounts.

### Management's Response:

*It was not the intent of the Board to avoid state purchasing requirements. The Board hired individuals and companies with a high degree of expertise in the courses being taught to facilitate course development and proper instruction in a short amount of*

*time. Amounts paid to these individuals and companies were based on the amount of work product, materials, equipment and resources required to provide the service needed. Any future contracts will be structured specifically with regard to deliverables expected from contractors and will include the basis for contract amounts.*

*These training courses were not of a continuing nature and were carried out as the result of extraordinary circumstances placed on the Board by legislative mandate.*

*The Board has implemented procedures to insure that consultant contracts will specify the services to be rendered and the details of deliverables within those services rendered. These procedures were started 2/97.*

*Any future projects which would require consulting contracts or multiple supplies or equipment purchases will be carefully evaluated to insure that all state purchasing guidelines and statutes are met. The agency will comply with all competitive bidding and contract notification requirements.*

## **We Question the Board's Use of First-Class Airfares**

The Board paid first-class airfare for three round-trip tickets and three one-way tickets without providing supporting documentation justifying the extra expense. Four of these tickets were used by the executive director and two were used by employees accompanying the executive director. The additional cost to the State for these first-class tickets was \$1,765. The Board was unable to provide us with supporting documentation that first-class seating was the only option available. The General Appropriations Act requires that travel be incurred at the lowest possible cost and that first-class airfare may be paid if it is the only available airfare.

### Recommendation:

We recommend the Board comply with the General Appropriations Act and agency staff travel at the lowest possible cost. In instances when first-class airline tickets are purchased, the Board should obtain documentation from the airline that first-class was the only available seating.

### Management's Response:

*Proper documentation was not maintained on 1st class air travel taken by the Executive Director and Board staff.*

*In 2/97 the Board staff reaffirmed a policy of lowest possible air fares for all employees and Board members and will maintain written documentation and detailed explanations and justification of the use of first class fares.*

## **The Board Should Pay Invoices in a Timely Manner**

The Board did not pay invoices in a timely manner. Of the 30 vouchers tested for the first quarter of fiscal year 1997, 15 were not paid in a timely manner. Ten of the 15 vouchers were paid after the invoice due date. Five of the 15 vouchers were not paid within 30 days. Texas Government Code, Chapter 2251, states that payment by a governmental entity is overdue on the 31st day after the receipt of the invoice. By not paying the bills in a timely manner, the Board may incur late fees and/or interest charges. Additionally, the lack of prompt payment may hinder the Board's ability to contract with vendors in the future.

### Recommendation:

We recommend that the Board develop and implement policies and procedures to ensure that its bills are paid in a timely manner.

### Management's Response:

*The Chief Accountant was not paying invoices in a timely manner.*

*This issue was addressed 2/97. Currently, all bills are being paid and will be current by 4/30/97. The Executive Director is to be apprised of any and all bills that are not paid timely and the reason why these bills have not been paid timely.*

## **The Board Should Implement a Time Keeping System Based on Time and Attendance Records**

The Board uses an exception-based time reporting system where each employee only reports leave taken. The payroll clerk assumes that each employee works a full work week if no leave slips are completed and turned in by the employees. There is no supervisory approval for leave taken by employees. This lack of control could result in employees inaccurately reporting leave status and taking more leave than they are entitled to without detection.

### Recommendation:

We recommend that the Board implement a positive time reporting system that requires employees to report hours worked and leave taken. The form used to report this time information should include a statement holding the employee responsible for the accuracy of the information.

Management's Response:

*In the past, the Board has used a negative method of time keeping for its employees. This method was based on the premise that all employees were assigned at least a forty hour work week and any time taken from that work week was subtracted through the use of leave slips. The leave slips allowed the employee to specify the reason for their absence from the job - sick leave, compensatory time or vacation. Provided the employee had accrued sufficient leave of the type requested and provided that necessary staffing requirements for agency operation were met, the employee was excused from work for the leave requested.*

*The Board now uses a positive time keeping system in which each employee, under supervisor scrutiny, is required to account for all hours actually worked. The administration of the positive time keeping is overseen by an employee who is not involved in the payroll process. This new procedure became effective on 3/1/97.*



## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should perform background checks using both national and state criminal history databases for screening new applicants and existing licensees.	✓			Based on the test results, it appears that the Board is performing both state (DPS) and federal (FBI) background checks on all applications received after September 1, 1996. The Board is performing federal background checks on existing licenses granted before September 1, 1996, when they come up for renewal.	
The evaluation should identify ways to expedite the investigative processes and decrease the backlog.			✓	The Board had a study performed by an external certified public accountant. The study did not identify any ways to expedite the investigative processes or decrease the backlog of investigations. The backlog for the first quarter of fiscal year 1997 was 54 percent (3,323 out of 6,130 cases).	<p><i>The Board will contact other occupational licensing agencies by 4/1/97, to obtain assistance in drafting procedures for reducing the Board's backlog of cases.</i></p> <p><i>The Board will diligently pursue a solution to the backlog until the backlog is effectively eliminated or reduced to a manageable size.</i></p> <p><i>The Investigations Division will set, with the Executive Director's approval, monthly, quarterly and annual targets for reducing and eliminating the backlog.</i></p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
Executive management and the Board should receive performance information on the status of cases from the point they are received to the time they are closed.		✓		The information is available; however, it is not aggregated in a user-friendly manner. The Board is considering changing its reports to make them more useful to management. The changes would also make external reporting more informative.	<p><i>By 4/1/97, the head of the Investigations Division will contact several medium to large occupational licensing agencies for assistance. Effective immediately, the Investigations Division will prepare a monthly report for the Executive Director and the Board summarizing the backlog and all other cases, the current month's results and prioritizing the investigative effort for the next month.</i></p> <p><i>To better report performance information, Automated Services Division has ordered software to create a permanent record of Investigations Division data as reported monthly, quarterly and annually. Additionally, Automated Services Division is obtaining a database program that will make reporting more user friendly, efficient and timely.</i></p> <p><i>The division will set, with the Executive Director's approval, monthly, quarterly and annual targets for reducing and eliminating the backlog.</i></p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
Implement a formal disaster recovery plan that addresses daily backups and alternative operating site. The Board should evaluate the cost/benefit of contracting with its vendor or a state agency for emergency programming expertise.	✓			The Board has developed a disaster recovery plan that addresses system backup procedures and designates the alternative site to operate in case of a disaster.	
The Board should enhance its internal documentation of computer applications as a means of retaining more of the programmer's knowledge.	✓			The Board's <i>Automated Information System User Guide</i> contains a detailed description of each agency application and the procedures to operate each application.	
The Board should establish a hierarchy of access that limits employees' ability to affect licensee data based on their job responsibility.		✓		The Board has established a hierarchy of computer access. However, some employees have unnecessary access to changing and renewing records of an individual.	<i>A review of employee need for licensee data change access was performed on 12/96 and only those employees with specific job responsibilities that require changing licensee data are able to access change functions within the agency's computer system.</i>
The Board should require users to change passwords at least semi-annually.	✓			All computer system users are required to change their password at least semi-annually.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should modify the application system to maintain a record of valid or invalid access attempts. This record should be reviewed daily. Additionally, consider disabling user accounts which commit access violations.			✓	The local area network (LAN) and the mainframe terminates users after repeated access violations. However, the Board has not modified the application system to maintain a record of valid or invalid access attempts. Purchasing the necessary software for this function is not cost effective. It appears that computer security at the Board is adequate to deter unauthorized access.  <b>Due to the cost analysis performed, it is no longer necessary for the Board to implement this recommendation.</b>	Management's response was not requested.

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should implement a system monitoring application which terminates users after a specified period of inactivity.			✓	The Board has not implemented a system monitoring application for the mainframe which terminates users after a specified period of inactivity. Purchasing the software to administer this function is not cost effective. The mainframe will, however, terminate users at 5 p.m. weekdays and is not available to users on the weekends (unless otherwise arranged with the Director of Automated Services).  <b>Due to the cost analysis performed, it is no longer necessary for the Board to implement this recommendation.</b>	Management's response was not requested.
The Board should maintain detailed supporting documentation for performance measures that are reported at the end of each fiscal year to the LBB via ABEST.				This recommendation will be addressed in the fiscal year 1997 performance measures certification audit by the State Auditor's Office.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should enforce the use of agency-developed open records request forms to ensure that the processing of the request and the assessment of associated fees are adequately supported.	✓			The Board has developed procedures requiring the use of agency-developed open records request forms. The processing of open records requests and the assessment of associated fees are adequately supported.	
The Board should also ensure that correct fee amounts are calculated and charged for all open records requests in accordance with General Services Commission guidelines.	✓			Based on the test results, it appears that the Board is charging the correct fee amounts for open records requests.	
The Board should revise its records retention schedule to reflect what is actually "readily available" and the length of time records are to be retained.		✓		The records retention schedule is in the process of being revised. The schedule has yet to be approved internally or by the State Auditor's Office and the Texas State Library and Archives Commission.	<i>In 2/97, a new records manager was assigned in the Administration Division to assume the responsibility of records management. This person has nine years experience in records management and is overseeing the revision and implementation of a new records retention schedule. The new records retention schedule became effective 3/14/97.</i>

<sup>1</sup>Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should develop written procedures over Licensing, Examinations, Hearings, and Accounting.			✓	<p>The Hearings Division has formal written procedures for all positions and functions performed. The Licensing, Investigations, and Accounting divisions have either not documented procedures or have procedures that are incomplete.</p> <p>The Licensing Division uses the <i>Automated Information Services Guide</i>, which describes the uses of the various computer screens used for licensing applications. The Licensing Division also has a flowchart of the license application process. The Investigations Division has a manual for investigators, but not for other personnel. There are no written procedures for the Accounting Division.</p>	<p><i>All divisions of the Board have staff flow charts. Program flow charts will be developed detailing each division's operation and work flow. The process has begun to produce comprehensive policy descriptions. Additionally, Administration, License and Investigations Divisions are preparing written descriptions and instructions for the job tasks within each respective divisions and will complete them by 9/1/97. Automated Services and Hearing Divisions have completed written descriptions and instructions which are now in use.</i></p> <p><i>The Board has initiated contacting similar sized agencies and is obtaining examples of procedure manuals for development within the Board's operation.</i></p> <p><i>As functions, policies and procedures of the agency change, the written procedures will be updated accordingly.</i></p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should consider including review and approval procedures for each agency process.			✓	There are no documented review and approval procedures for agency processes.	<p><i>All divisions of the Board have staff flow charts. Program flow charts will be developed detailing each division's operation and work flow. The process has begun to produce comprehensive policy descriptions. Additionally, Administration, License and Investigations Divisions are preparing written descriptions and instructions for the job tasks within each respective divisions and will complete them by 9/1/97. Automated Services and Hearing Divisions have completed written descriptions and instructions which are now in use.</i></p> <p><i>Careful reevaluation of purchasing, travel and accounting guidelines have resulted in the Board adopting the current policy of review and approval for even minor transactions by verifying that every transaction and every purchase meets state guidelines. This policy became effective 2/97.</i></p>

<sup>1</sup>Key for Implementation Status

- I - Recommendation Implemented
- U - Implementation Underway
- N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.



**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
The Board should require documentation for receipt of goods and services rendered prior to paying disbursement vouchers.		✓		The Board has implemented procedures requiring documentation of the receipt of goods and services rendered prior to paying disbursement vouchers. However, in cases where the receipt of these goods and services is not documented, the person who approves the voucher verifies that the goods were received. This results in an inadequate separation of duties.	<p><i>On 3/17/97, the Board delegated the responsibility of receiving goods to specific individuals who will indicate on the receipt or invoice that the goods or services were actually received. These individuals have no responsibility for either purchasing or paying for the goods received. The signed invoices or receipts will be sent to Purchasing who will ensure that payment is made correctly and timely.</i></p> <p><i>Effective 2/97, persons responsible for preparing vouchers were instructed not to prepare any voucher without proper supporting documentation and proper approval.</i></p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
<p>Implement procedures to ensure that all cash receipts are accounted for, safeguarded, and deposited in compliance with the three-day rule.</p>			<p>✓</p>	<p>Cash receipts are not adequately safeguarded. Cash receipts are processed throughout the day and are left on desks in an unsecured room. Total cash receipts for fiscal year 1996 amounted to over \$5 million.</p> <p>In addition, there are no documented procedures to ensure that cash receipts are accounted for, safeguarded, or deposited in compliance with the three-day rule.</p>	<p><i>Policies and procedures were implemented in 2/97 to insure the safeguarded handling of and accounting for all cash receipts (cash, checks, cashier's checks). Each cash handling employee has been issued a "Steelmaster" lockable cash box with key into which all cash receipts received by that employee are placed and secured when not being worked on. Each cash handling employee has a key to a 42" lockable cashbox storage cabinet into which the cashboxes are placed for secured storage under lock and key when not in use. Deposits are separated by batch and are being closely scrutinized and supervised to insure compliance with the three-day rule.</i></p> <p><i>Daily deposits have been made to the Treasury; however, the deposits were not routinely entered into USAS. The result has been that the deposits were not properly recorded in the Comptroller's records. This problem is being corrected.</i></p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
Segregate the duties over the various accounting functions. One employee should be responsible for the processing of accounting records and another employee should be responsible for review and reconciliations. Additionally, the person preparing payroll should not be the person maintaining the time keeping records.			✓	<p>There is a lack of separation of duties over data entry and reconciliation of payroll and time keeping. One employee performs data authorization, data entry, verification, correction, payroll preparation, and time keeping function for the entire agency.</p> <p>Fixed asset management at the Board is not adequately segregated. The agency's property manager for fixed assets tags them as they are received, updates, and reconciles them to the Statewide Property Accounting System (SPA).</p>	<p><i>All accounting functions and their review and reconciliation have been segregated and assigned to separate individuals effective 3/97, none of whom has a duality of responsibility with respect to these functions. All time keeping responsibilities were reassigned effective 3/1/97, to a non-accounting division employee who then reports the information through documentation to the payroll officer. Additionally, fixed asset management procedures have been updated to require a proper accounting of inventory and reporting thereof to the Statewide Property Accounting System and in 2/97, a new Property Manager has been appointed.</i></p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

## Summarized Audit Findings, Follow-Up Audit Results, and Management's Responses, continued

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
Establish management review and approval procedures for releasing accounting transactions that update the statewide accounting systems.			✓	<p>The Board has not developed procedures for the review and approval of statewide accounting system transactions.</p> <p>There is a lack of separation of duties over the processing of accounting transactions. One employee is responsible for reviewing, approving, and entering accounting transactions that update the statewide accounting system.</p>	<i>Effective 2/97, all accounting functions that are entered into the statewide accounting system were segregated for purposes of review and reconciliation and are assigned to separate individuals, none of whom has a duality of responsibility with respect to these functions.</i>
Implement control procedures that require periodic re-evaluation of duties and responsibilities of all positions to assess the accuracy of each employee's FLSA status determinations. In addition, the Board should maintain documentation of these assessments and ensure that the determinations are communicated to all employees.			✓	<p>The Board has not performed Fair Labor Standards Act (FLSA) status checks to determine exempt or non-exempt status of employees.</p>	<i>The Board has appointed a new FLSA compliance coordinator effective 2/97. A review of all employee positions has been conducted and determinations have been made with regard to each employee's status as exempt or non-exempt under the guidelines of the FLSA. Each employee's status review will be documented and each employee will be informed as to their FLSA status and the requirements of that status no later than 4/15/97.</i>

<p><sup>1</sup><u>Key for Implementation Status</u></p> <p>I - Recommendation Implemented  U - Implementation Underway  N - Recommendation Not Implemented</p>
--

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, continued**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
Implement controls to ensure that periodic performance evaluations should be based on specific, objective, performance-based evaluation criteria. The Board should also maintain adequate supporting documentation in employee files to support personnel actions. Additionally, the Board should maintain records of the selection process, including the reasons why an applicant is or is not selected. The Board should consider using a rating scale or matrix to record the selection process.			✓	<p>It appears that employees under the five division chiefs have had recent performance evaluations. However, four of the five division chiefs have not had a performance evaluation in five years.</p> <p>The only supporting documentation in the personnel files for personnel actions is the performance evaluation.</p> <p>There are no records of the selection process in the personnel files, nor is there a rating scale or matrix recording the selection process.</p> <p>The Executive Director has not received a formal written evaluation from the Board.</p>	<p><i>Effective 9/96, The Board has implemented new procedures that enable an accurate evaluation of employee performance based on specific, objective, performance based criteria. All employees, including division chiefs, will be evaluated annually. These evaluations will be completed no later than 4/30/97.</i></p> <p><i>The Board staff will contact similar sized agencies for assistance in developing an evaluation criteria for the Executive Director to be used by the Board. The E.D. will be evaluated by the Board no later than 8/97.</i></p> <p><i>Procedures are being implemented to insure that proper supporting documentation is contained in the personnel files relating to personnel actions. A rating system is being put in place to record actions within the employee selection process. These items will be accomplished by 6/1/97.</i></p>

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

**Summarized Audit Findings, Follow-Up Audit Results,  
and Management's Responses, concluded**

Previous Recommendations	Implementation Status <sup>1</sup>			Follow-Up Audit Results	Management's Responses <sup>2</sup>
	I	U	N		
<b>Agency 467 Board of Private Investigators and Private Security Agencies</b>					
Provide written notice to its applicants/licensees that failure to repay a guaranteed student loan is grounds for denying an application or not renewing one's license.	✓			The Board provides written notice to applicants/licensees that failure to repay a guaranteed student loan is grounds for denying an application or not renewing one's license.	
Ensure all applicants and licensees in default on Texas Guaranteed Student Loan Corporation (TGSLC) loans are denied a license or renewal.	✓			Based on the test results, it appears that the Board is ensuring that all applicants and licensees in default on Texas Guaranteed Student Loan Corporation (TGSLC) loans are denied a license or renewal. On a quarterly basis, the Board is informed by TGSLC of any applicants or licensees who are in default of a guaranteed student loan via a computer tape. The Board sends a letter to the individuals who are currently licensed or awaiting licensure, stating that they will not be able to renew a license or issue a license unless proof of corrective action has been taken.	

<sup>1</sup>Key for Implementation Status

I - Recommendation Implemented  
 U - Implementation Underway  
 N - Recommendation Not Implemented

<sup>2</sup> Management's responses were requested only for recommendations that were underway or not implemented.

## Objective, Scope and Methodology

Our objective and scope was to determine whether recommendations made in the previous management control audit at the Board of Private Investigators and Private Security Agencies were fully implemented, partially implemented, or not implemented. We also identified additional issues during the course of the audit.

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, and analyzing and evaluating the results against established criteria.

Information collected to accomplish the audit objective included the following:

- Interviews with management and staff
- Documentary evidence, including:
  - State and federal statutes, regulations, and rules
  - Board documents, plans, policies, procedures, manuals, reports, memoranda, minutes, and other written communication
  - Various audit and management reports from both internal and external sources
  - Agency-generated financial data and reports

Procedures and tests conducted:

- Reviewed compliance with applicable laws and regulations in areas of travel and timekeeping
- Reviewed policies and procedures over fixed assets, cash receipts and disbursements, licensing, examinations, and hearings
- Reviewed policies and procedures over human resource activity, including performance appraisal and compliance with selected provisions of the Fair Labor Standards Act (FLSA)
- Reviewed policies and procedures for the management information systems

Analytical techniques used:

- Financial review and analysis
- Process review and analysis
- Content analysis

Criteria used:

- Statutory requirements
- General and specific criteria developed by the State Auditor's Office Inventory of Accountability Systems Project
- State Auditor's Office Management Control Methodology and Models Manual
- Process criteria from the Comptroller of Public Accounts, Department of Information Resources, and General Services Commission

## Other Information

Follow-up work at the Board of Private Investigators and Private Security Agencies was conducted from December 1996 through February 1997. All reviews were conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

The audit work was performed by:

- Vandita Zachariah (Project Manager)
- Susan Driver, CPA
- John M. Friou, CFE
- Kevin M. Hannigan
- Ryan G. Simpson
- Marlin W. Wallenburg, CIA
- Fran Carr, CPA (Quality Control Reviewer)