



OFFICE OF THE STATE AUDITOR

TWO COMMODORE PLAZA
206 EAST NINTH STREET, SUITE 1900
AUSTIN, TEXAS 78701

LAWRENCE F. ALWIN, CPA
State Auditor

August 12, 1998

RE: A Comprehensive Audit of the State
Preservation Board Including a
Review of the Capitol Fund

Members of the Legislative Audit Committee
and

Mr. Rick Crawford, Executive Director, State Preservation Board:

The State Preservation Board (Board) has the basic processes needed to help achieve goals, manage resources, and use funds as intended. The Board's *1997 Annual Report on the Capitol Fund* contains reliable data, and its business operations made a profit during fiscal year 1997. The Board also made efforts to use Historically Underutilized Businesses (HUBs) when contracting for work, and the Board addressed three of four prior State Auditor recommendations.

Summary of Issues

- **Are state funds spent as intended by the Legislature? Are business operations making a profit? Are financial reports reliable?**
 - Audit results indicate that expenses for salaries, goods, and services were reasonable and properly documented and funds were used as intended. We also found the Board properly tracked asset purchases and made a good-faith effort to meet state HUB goals. The Board reported expenses of \$7.4 million for fiscal year 1997.
 - The Board's business activities made a profit of \$401,511 during fiscal year 1997. The two gift shops contributed 86 percent of total profit. The Board expects to reach a net income of \$560,000 in 1998 and to exceed \$1 million in 1999.
 - Amounts for donations and disbursements reported in the *1997 Annual Report on the Capitol Fund* are reliable. These amounts included \$396,255 in donations and \$936,190 in disbursements. The fiscal year end Capitol Fund balance was \$2,199,718. Each year the Board's management prepares a detailed annual report on the Capitol Fund that the State Auditor reviews.
- **Do the Board's planning and budgeting activities adequately ensure accomplishment of its key strategy?**

The Board made strong progress in planning and implementing its new Building Maintenance strategy. This strategy received \$3.6 million (73 percent of appropriations

to strategies) for fiscal year 1998. The Board hired employees and contractors for housekeeping, grounds keeping, and other maintenance activities and monitors their performance. The Board takes appropriate corrective action when employee or contractor performance does not meet standards.

The Board has also done a good job of planning and budgeting for the design and construction of the \$80 million Texas State History Museum (Museum). The architects recently started preparing the detailed drawings and specifications for the Museum. The Board plans to begin construction in November 1998. The Museum is scheduled to open in early 2001.

The Board is preparing a capital renewal budget that should be able to predict capital spending fairly well. Capital expenses arise when major items, such as the roof, air conditioners, and the security systems, need improvement or replacement. This budget will help to assess and support decisions for allocating resources and identify the outcomes of those decisions. It will also help to ensure that replacements or improvements are done when needed.

Other important activities in progress include:

- Developing meaningful performance measures
 - Training staff in historical maintenance procedures
 - Documenting policies and procedures for the Facilities Management, Accounting, and Curatorial functions
 - Continuing to develop and implement the Facilities Management Plan and database
 - Developing a Facilities Management cost accounting system
- Have essential personnel processes and procedures been developed and implemented?

Board personnel, with guidance from the audit team, used the State Auditor's Human Resources Self-Assessment Guide (Guide) to determine the adequacy of their personnel activities. Using the Guide, we noted that some personnel policies and procedures should be formalized and better documented. While we were on-site, a number of these improvements were underway.

Some of these included:

- Completing the employee handbook
- Creating job descriptions
- Redesigning the employee evaluation form
- Developing better interview questions

Members of the Legislative Audit Committee and
Mr. Rick Crawford, State Preservation Board
August 12, 1998
Page 3

- Has the Board addressed the State Auditor's prior recommendations?

The Board has taken action on three of the four recommendations from a December 1995 State Auditor's report (*A Report on the Financial Review of Agency Operations at the State Preservation Board, SAO Report No. 96-025*). It has taken steps to (1) improve the monitoring of the Capitol Dining Room and Press Space operations, (2) develop a long-term plan for maintaining and replacing equipment in the Capitol Dining Room and Capitol Press Space, and (3) implement a maintenance program for the Historic Capitol Complex.

However, the Board is not depositing all revenues from business operations within three days. We tested a judgmental sample of revenues and found some of them were deposited later than three business days after receipt. This issue did not significantly impact the Board's ability to accomplish its goals. At the same time, timely deposit of revenues helps to protect against potential errors and misuse and ensure state funds are managed efficiently.

Audit Objective and Scope

We performed this statutory audit to assess the management and financial processes of the Board. We comprehensively reviewed the Board's transactions, funds, and programs. This included a review of the Board's *1997 Annual Report on the Capitol Fund*. Also, we checked on the Board's progress in addressing issues from the 1995 State Auditor's report. We conducted this audit in a manner that meets both generally accepted and governmental auditing standards.

We appreciate the help of Board personnel during our audit. Management's response to this report is attached. If you have questions or need additional information, please contact Mary Goehring, Audit Manager, at 479-4700.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cbg

attachment

cc: State Preservation Board Members



STATE PRESERVATION BOARD

The Honorable George W. Bush, Governor, Chairman
The Honorable Bob Bullock, Lieutenant Governor, Co-Vice Chairman
The Honorable James E. "Pete" Laney, Speaker of the House, Co-Vice Chairman
The Honorable Chris Harris, Texas Senate
The Honorable Tony Goolsby, Texas House of Representatives
Dealey Decherd Herndon, Citizen Board Member
Rick Crawford, Executive Director

July 29, 1998

Mr. Lawrence F. Alwin, CPA
State Auditor's Office
P.O. Box 12067
Austin, TX 78711-2067

Dear Mr. Alwin:

The staff of the State Preservation Board wishes to thank the State Auditor's Office for the professional manner in which its staff conducted themselves during their recent management audit of our agency's operations.

We generally concur with the findings of the audit. We appreciate the positive comments contained in the report. We also look forward to following the audit's suggestions regarding ways to improve the agency's documentation of its performance. We are currently developing action plans to implement improvements needed. We anticipate all suggestions to be fully implemented within a year.

If the State Preservation Board can ever be of service to the State Auditor's Office, please let me know.

Sincerely,

Rick Crawford
Executive Director

Sam Houston State Office Building
Suite 950 or P.O. Box 13286
Austin, Texas 78711
(512) 463-5495