



**John Keel, CPA**  
**State Auditor**

An Audit Report on

# **The Board of Professional Engineers: A Self-directed, Semi- independent Agency**

June 2009

Report No. 09-042



An Audit Report on

# *The Board of Professional Engineers: A Self-directed, Semi-independent Agency*

SAO Report No. 09-042  
June 2009

## *Overall Conclusion*

The Board of Professional Engineers (Agency) reported materially accurate key financial statement balances for fiscal year 2008. The Agency has implemented well-designed key financial controls to enable it to accurately report financial statement balances.

The Agency also has well-designed and documented processes for setting fee and penalty amounts. The Agency's fee-setting process includes analyzing projected costs, revenues, and fund balance to determine the proper fee amounts. The Agency consistently applied penalties in accordance with Title 22, Texas Administrative Code, Section 139.35, and adjusted penalty amounts based on the severity of the violations.

The Agency reported accurate annual and biennial performance measures to the Legislature and the Office of the Governor for fiscal years 2006 through 2008. Audit tests indicated that the trends in performance measures are supported by the performance measure data. However, the Agency did not include a statistical analysis of complaints in its annual financial report for fiscal year 2008, as required by the Texas Engineering Practice Act (Texas Occupations Code, Section 1001.254) and the Agency should improve its process for extracting performance measure data and reviewing data and performance measure reports for completeness and accuracy.

### **Background Information**

Texas Civil Statutes, Article 8930 (the Self-directed, Semi-independent Agency Project Act) authorized the Board of Professional Engineers (Agency) to operate independently of the Texas General Appropriations Act.

The Self-directed, Semi-independent Agency Project Act is subject to Chapter 325 of the Texas Government Code (the Texas Sunset Act). Unless continued in existence as provided by that chapter, the Self-directed, Semi-independent Agency Project Act expires September 1, 2013.

The Agency is responsible for regulating the practice of professional engineering for the state of Texas. The Agency's board has nine members. As of August 31, 2008, the Agency:

- Regulated 50,681 engineers licensed in the state of Texas.
- Employed 29 individuals.
- Reported a fund balance of \$984,305.

*This audit was conducted in accordance with Texas Civil Statutes, Article 8930, Section 7.*

*For more information regarding this report, please contact Lisa Collier, Assistant State Auditor, Audit Manager, or John Keel, State Auditor, at (512) 936-9500.*

## ***Summary of Management's Response***

The Agency agrees with the recommendations in this report. The Agency's management response is presented in Appendix 2, page 15.

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

Auditors assessed information technology (IT) controls over the Agency's information systems and other automated processes it uses for financial and performance measure data.

Auditors evaluated general IT controls, including logical access, program change management, physical security, and disaster recovery. Auditors also evaluated application controls, including input controls, process controls, and output controls.

The Agency's IT controls and processes are well designed, and the controls and processes appear to be operating effectively based on audit testing. The IT controls affect all phases of the Agency's operations, and these controls are an extremely important part of the Agency's financial statement preparation, performance measure reporting, and fee- and penalty-setting processes.

## ***Summary of Objectives, Scope, and Methodology***

The objectives of this audit were to:

- Verify the accuracy of certain key financial statement balances and the effectiveness of key financial controls at the Agency.
- Verify the accuracy of, and evaluate trends in, selected performance measures that the Agency uses.
- Evaluate the Agency's process for setting fees and penalties.

The scope of this audit covered fiscal years 2006 through 2008. Auditors reviewed the accuracy of the Agency's financial statements for fiscal year 2008 and the control processes that affect the accuracy of the financial statement balances. Auditors reviewed performance measures reported for fiscal years 2006 through 2008 and related control processes. Auditors also reviewed the Agency's process for setting fees and penalties and the automated systems that support the functions reviewed.

The audit methodology included collecting information and documentation; performing selected tests of amounts reported and other procedures; analyzing and evaluating the results of the tests; and conducting interviews with Agency

management and staff. Auditors communicated other, less significant issues to the Agency in writing.

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# Detailed Results

## Chapter 1

### ***The Agency Accurately Reported Key Financial Statement Balances for Fiscal Year 2008 and Has Well-Designed Financial Control Processes and Procedures***

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The Board of Professional Engineers (Agency) reported materially accurate key financial statement balances for fiscal year 2008, and the Agency has implemented well-designed key financial controls to enable it to accurately report financial statement balances.

Key financial statement balances reported in the Agency's (1) Combined Balance Sheet - Governmental Funds and (2) Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for fiscal year 2008 are materially accurate. Table 1 lists the financial statement accounts that auditors reviewed.

Table 1

Financial Statement Accounts that Auditors Reviewed	
Account	Reported Amounts (as of August 31, 2008)
Cash: Short-term Investments	\$1,154,076
Accounts Receivable	\$ 80,095
Accounts Payable	\$ 26,719
Deferred Revenue	\$ 301,010
Licenses, Fees, and Permits Revenue	\$4,069,823
Professional Fees and Services Expenditures	\$ 65,394
Travel Expenditures	\$ 43,730
Other Expenditures	\$1,126,063
Fund Balance: Unreserved Designated for Other	\$ 984,305

Source: Board of Professional Engineers 2008 unaudited annual financial report.

To ensure that it reports key financial statement amounts accurately, the Agency has implemented well-designed financial controls over revenues, expenditures, and other financial information. Financial controls auditors tested include controls to:

- Ensure that expenditure transactions were properly approved and recorded.

- Reconcile information in the Agency's accounting systems with information in the Uniform Statewide Accounting System (USAS).
- Process the receipt and deposit of license and fee payments.
- Segregate duties between the individuals who prepare and approve revenue and expenditure vouchers.

## ***The Agency Has Well-designed and Documented Methodologies for Setting Fee and Penalty Amounts***

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The Agency has well-designed and documented processes for setting fee and penalty amounts. The Agency's fee-setting process includes analyzing projected costs, revenues, and fund balance to determine the proper fee amounts. Annually, the Agency's board approves the Agency's budget and fee amounts.

The Agency consistently applied penalty amounts in accordance with Title 22, Texas Administrative Code, Section 139.35, and adjusted the penalty amounts based on the severity of the violations.

### Chapter 2-A

#### **The Agency Has an Adequate Process for Setting Fees and Analyzing Its Fund Balance That Incorporates Board Approval**

To determine whether it should adjust its fees, the Agency analyzes:

- **Projected costs.** The Agency compares actual expenditures (by expenditure type) for the first 10 months of the current fiscal year to its budgeted expenditures for the same time period. The Agency uses the budget-to-actual variance and any known changes in future expenditures to project expenditures for the next fiscal year.
- **Projected revenues.** The Agency compares actual revenue collected (by revenue type) for the first 10 months of the current fiscal year to its budgeted revenue collections for the same time period. The Agency also reviews prior year trends to estimate the number of licensees, examinees, renewals, and late payments. The Agency uses these estimates and current fee amounts to calculate projected revenues.
- **Six-year fund balance projections.** The Agency deducts projected expenditures from its beginning fund balance and projected revenues to prepare a six-year fund balance projection (projected budget year plus five subsequent years). The Agency includes an inflation factor to adjust expenditures in its fund balance projection. For fiscal year 2008, the Agency used (1) an inflation factor of 4 percent, and (2) upper and lower thresholds of \$1 million and \$500,000, respectively. If the fund balance projection approaches or passes the upper or lower thresholds, the Agency analyzes fee adjustment options to determine which fees should be increased or decreased.

The Agency's board approved the annual budget and fee amounts for fiscal year 2008 during its August 2007 quarterly public board meeting. The board approved an increase in the fee for the Principles of Engineering exam from \$200 to \$265 to cover an increase in the Agency's cost to administer that

exam. Additionally, as of January 1, 2008, the Agency's board voted to eliminate a \$3 transaction fee for all online transactions. The Agency did not adjust any other fee amounts for fiscal year 2008.

To evaluate the fund balance in the future, the Agency asserts that it plans to implement a new fund balance policy that will be effective for the fiscal year 2010 annual budget. The new fund balance policy states the following:

The [Texas Board of Professional Engineers] should prepare its annual Budget to provide for an end-of-period Agency Fund Budgeted Balance equal or as close as possible to three times the standard error of the difference (defined as: start-of-period forecast Agency Fund balance minus end-of-period actual Agency Fund balance) for the past five years. As a guide to considering the necessity of changes in long-term parameters, the Board should instruct the staff to establish upper and lower limits, based on the computed standard error. The Board may consider adopting a smaller target end-of-period Agency Fund Budgeted Balance, and/or different upper and lower limits, if the preponderance of recent experience has been that forecast errors are positive.

**Factors the Agency Considers when Adjusting Penalty Amount**

- Seriousness of the acts or omissions.
- Number of prior disciplinary actions taken against the respondent.
- Severity of penalty necessary to deter future violations.
- Efforts or resistance to correct the violation.
- Hazard to the health, safety, property, or welfare of the public.
- Actual damage, physical or otherwise, caused by the violation(s).
- Any economic benefit gained through the violations.
- Economic harm to property or the environment caused by the violation.
- Other matters impacting justice and public welfare.
- Additional administrative costs.

Source: Board of Professional Engineers.

Chapter 2-B

**The Agency Has a Well-designed Process for Setting Penalties That Incorporates Board Approval**

The Agency consistently applied penalty amounts in accordance with Title 22, Texas Administrative Code, Section 139.35, and adjusted penalty amounts based on the severity of the violations.

The Agency followed its process for all 30 enforcement cases that auditors tested. The enforcement cases that auditors tested contained supporting documentation for enforcement actions. For each enforcement case tested, the Agency used an administrative penalty worksheet to determine the amount of penalty to assess. The Agency used penalty amounts listed as a guide in the Texas Administrative Code as a baseline and adjusted the amounts based on several factors (see text box for additional details).

The Agency's penalty-setting process has multiple layers of management review, including review by the lead investigator, director of compliance and enforcement, deputy executive director, and executive

director for all enforcement disciplinary actions. The Agency presents the final disciplinary actions, including penalties assessed, to its board for approval.

***The Agency Reported Accurate Performance Measures and Trends in Performance Measures Reviewed Are Supported by Data; However, the Agency Should Improve Its Performance Measure Reporting Process***

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The Agency reported accurate annual and biennial performance measures to the Legislature and the Office of the Governor; however, the Agency should improve its process for extracting performance measure data and reviewing data and performance measure reports for completeness and accuracy.

The Agency did not include a statistical analysis of the complaints filed with the Agency during fiscal year 2008 as supplemental information to its 2008 annual financial report, as required by the Texas Engineering Practice Act (Texas Occupations Code, Section 1001.254) until after auditors informed the Agency of its noncompliance with that statute.

Trends in the Agency's reported performance measures from fiscal years 2006 to 2008 were supported by the performance measure data provided to auditors. The number of licensees and individuals taking exams increased from fiscal year 2006 to fiscal year 2008. The number of complaints opened and the number of complaints closed decreased during that same time period.

Chapter 3-A

**The Agency Reported Accurate Performance Measures; However, It Should Improve Its Performance Measure Process**

The Agency reported accurate annual and biennial performance measures to the Legislature and the Office of the Governor, as required by the Self-directed, Semi-independent Agency Project Act (Texas Civil Statutes, Article 8930, Section 8(a)). However, it did not always accurately report performance measures in its quarterly reports. The quarterly reports are not statutorily required; however, the Agency voluntarily submitted these reports to the Legislature and the Office of the Governor.

### Summary of Requirement to Prepare an Analysis of Complaints

The Texas Engineering Practice Act (Texas Occupations Code, Title 6, Section 1001.254) requires the Agency to include with its annual financial report a statistical analysis of the complaints filed with the Agency during the preceding year, including:

- The number of complaints filed.
- A categorization of complaints.
- The number of complaints filed by Agency staff.
- The number of complaints filed by persons other than Agency staff.
- The average length of time required to resolve a complaint.
- The number of complaints resolved and the manner in which they were resolved.
- The number of complaints filed that are unresolved, the number of those complaints filed by Agency staff, the number of those complaints filed by persons other than Agency staff, and the average length of time that the unresolved complaints have been on file.

### Summary of Requirement to Report the Agency's Activities

Texas Civil Statutes, Article 8930, Section 8(a), (the Self-directed, Semi-independent Agency Project Act) requires the Agency to submit the following:

- An audit report.
- A financial report of the previous fiscal year.
- A description of any changes in licensing fees.
- A report on the number of examination candidates, licensees, certificate holders, enforcement activities, and any changes in those figures.
- A description of all new rules adopted or repealed.

The Agency did not include a statistical analysis of the complaints filed with the Agency during fiscal year 2008 as supplemental information to its 2008 annual financial report, as required by the Texas Engineering Practice Act (Texas Occupations Code, Section 1001.254; see text box for additional details). After auditors brought this to the Agency's attention, on April 2, 2009, the Agency prepared and added a statistical analysis of complaints to its annual financial report for fiscal year 2008.

Texas Civil Statutes, Article 8930, Section 8(a) (the Self-directed, Semi-independent Agency Project Act) requires the Agency to submit to the Legislature and the Office of the Governor by the first day of the regular session of the Legislature a report describing all of the Agency's activities in the previous biennium (see text box for additional details).

Auditors tested seven performance measures that the Agency reported to the Legislature and the Office of the Governor from fiscal years 2006 to 2008. As Table 2 on the next page shows, all seven performance measures were accurate.

Table 2

Board of Professional Engineers (Agency No. 460)			
Performance Measure	Reported Results in Self-directed, Semi-independent Agency Act Progress Report <sup>a</sup>	Reported Results in Annual Financial Report Supplement: Statistical Analysis of Complaints <sup>a</sup>	Was Reported Amount Accurate? <sup>b</sup>
Number of Complaints Opened	1,635 (2005-2006) 1,519 (2007-2008)	746 (2008)	Yes
Number of Complaints Closed	1,662 (2005-2006) 1,522 (2007-2008)	693 (2008)	Yes
Average Time for Complaint Resolution	Not Applicable	132 days (2008)	Yes
Total Number of Licensees	49,029 (2005-2006) 50,681 (2007-2008)	Not Applicable	Yes
Number of Individuals Examined (By Exam Type) <sup>c</sup>	FE Exam: 3,128 (2006) 3,512 (2007) 4,086 (2008)  PE Exam: 1,502 (2006) 1,587 (2007) 1,851 (2008)	Not Applicable	Yes
Number of Disciplinary Actions Taken	Not Applicable	102 (2008)	Yes
Number of Complaints Resulting in Disciplinary Action	Not Applicable	55 (2008)	Yes
<p><sup>a</sup> Texas Civil Statutes, Article 8930, Section 8(a), requires the Agency to file a report each biennium (including in the Agency's <i>Self-directed, Semi-independent Agency Act Progress Report</i>). The amounts in this report represent performance measure results for a two-year period. Amounts reported in the statistical analysis supplement to the annual financial report represent performance measure results for a one-year period.</p> <p><sup>b</sup> To determine the accuracy of the reported performance measures, auditors recalculated the performance measures using the definitions and instructions in the Agency's policies and procedures. If auditors' recalculation was within 5 percent of the reported performance measure, auditors concluded that the performance measure was reported accurately.</p> <p><sup>c</sup> The Agency administers two professional engineering exams: Fundamentals of Engineering (FE) and Principles and Practice of Engineering (PE). The Agency reports the Number of Individuals Examined by year at the beginning of each regular legislative session (included in its <i>Self-directed, Semi-independent Agency Act Progress Report</i>) as required by Texas Civil Statutes, Article 8930, Section 8(a).</p>			

Although performance measures were accurate, the Agency should improve its process for extracting performance measure data and reviewing data and performance measure reports for completeness and accuracy. Specifically:

- The Agency did not retain results of queries it used to extract the data it used to calculate its reported performance measure results. As a result, there were variances between the Agency's reported results and the results that auditors recalculated based on the definitions in the Agency's policies and procedures. However, because the variances were less than 5 percent, auditors concluded that results the Agency reported were accurate. Not

retaining queries makes it more difficult for the Agency to support or recalculate reported measures.

- The Agency does not have a formal review process to verify the accuracy of its performance measure calculations. Implementing such a process would help ensure that the Agency continues to report accurate performance results to the Legislature and the Office of the Governor.
- As discussed above, the Agency voluntarily submitted quarterly reports on performance measure results to the Legislature and the Office of the Governor for fiscal years 2006 through 2008. The results the Agency reported for two of seven performance measures were not consistent with annual performance measure results it reported to the Legislature and the Office of the Governor. For example:
  - ♦ Performance measure results for 5 (45 percent) of 11 quarters for the Average Time for Complaint Resolution were inaccurate. Inaccurate results for four of these five quarters were calculated during fiscal year 2006; the remaining inaccurate result was calculated during fiscal year 2008. This occurred because the Agency included only external complaints in the performance measure results for quarterly reporting instead of including both internal and external complaints as defined by its policies and procedures.<sup>1</sup>
  - ♦ Performance measure results for 1 (20 percent) of five quarters for the Number of Individuals Examined were inaccurate. This inaccuracy was calculated during fiscal year 2006. The reported number of individuals examined for the Fundamentals of Engineering exam was within 5 percent of auditors' recalculation for all five quarters reviewed; however, the number of individuals examined for the Principles and Practice of Engineering exam exceeded auditors' recalculation of that performance measure by 12.42 percent. The Agency was unable to explain this difference.

## Recommendations

The Agency should:

- Continue to include a statistical analysis of complaints as supplemental information to its annual financial report as required by the Texas Occupations Code, Section 1001.254.

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<sup>1</sup> An internal complaint is a complaint that is opened by a member of the Agency's staff based on his or her knowledge of an issue with the performance of an engineer's duties.

- Maintain sufficient supporting documentation for its reported performance measures, including the original data extracted from the performance measure queries, in its internal database that supports the measures reported.
- Implement a documented, secondary review of the accuracy of its performance measure calculations.
- Clarify, document, and implement consistent procedures for calculating performance measures to ensure that the procedures it uses to calculate voluntarily submitted quarterly performance measures are the same procedures it uses to calculate annually and biennially submitted performance measures.

Chapter 3-B

**Trends in the Agency’s Reported Performance Are Supported by the Performance Measure Data**

Auditors reviewed trends for four of seven performance measures selected to audit:

- Total Number of Licensees.
- Number of Complaints Opened.
- Number of Complaints Closed.
- Number of Individuals Examined.

There were no significant fluctuations between fiscal year 2006 and fiscal year 2008 for the Total Number of Licensees. This performance measure result increased 1.4 percent during this time period. Auditors identified significant trends for the other three performance measures, and Agency management provided explanations for some of those trends. Specifically:

- The Number of Complaints Opened decreased 9.25 percent from fiscal year 2006 to fiscal year 2008, and the Number of Complaints Closed decreased 15.28 percent from fiscal year 2006 to fiscal year 2008.

Agency management stated that the decrease in the Number of Complaints Closed may have been attributed to a change in the general counsel representation in fiscal year 2007. Additionally, the time necessary to resolve and close a case depends on the type of complaint received, and the types of complaints received may be significantly different from year to year. Table 3 shows the trends in complaints opened and closed from fiscal year 2006 to fiscal year 2008.

Table 3

Trends in the Number of Complaints Opened and Closed			
Category	Fiscal Year		
	2006	2007 <sup>a</sup>	2008
Number of Complaints Opened	822	547	746
Number of Complaints Closed	818	622	693
<sup>a</sup> For fiscal year 2007, the Agency voluntarily reported complaints for only three quarters. The Agency reports the Number of Complaints Opened for all of fiscal year 2007 in total with fiscal year 2008 in the <i>Self-directed, Semi-independent Agency Act Progress Report</i> for the biennium.			

Source: Board of Professional Engineers.

- The Number of Individuals Examined for the Principles and Practice of Engineering (PE) exam increased 23.24 percent from fiscal year 2006 to fiscal year 2008. The Number of Individuals Examined for the Fundamentals of Engineering (FE) exam increased 30.63 percent from fiscal year 2006 to fiscal year 2008. The number of individuals examined is inconsistent from year to year, but Agency management has not identified any one factor that drives the number of individuals taking the exams. Table 4 shows the trends in exams from fiscal year 2006 to fiscal year 2008.

Table 4

Trends in the Number of Individuals Examined				
Type of Exam	Fiscal Year			Totals
	2006	2007	2008	
Principles and Practice of Engineering (PE)	1,502	1,587	1,851	4,940
Fundamentals of Engineering (FE)	3,128	3,512	4,086	10,726
Totals	4,630	5,099	5,937	15,666

Source: Board of Professional Engineers.

Auditors did not evaluate trends in performance measures for the (1) Number of Disciplinary Actions Taken, (2) Number of Complaints Resulting in Disciplinary Action, and (3) Average Time for Complaint Resolution. The Agency reported these performance measures in the statistical analysis of complaints that it prepared and submitted as a supplement to its annual financial report for fiscal year 2008 (as shown in Table 2 above). Results for these annual performance measures were not reported as a supplement to the Agency's annual financial report prior to fiscal year 2008.

# Appendices

Appendix 1

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

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### **Objectives**

The objectives of this audit were to:

- Verify the accuracy of certain key financial statement balances and the effectiveness of key financial controls at the Board of Professional Engineers (Agency).
- Verify the accuracy of, and evaluate trends in, selected performance measures the Agency uses.
- Evaluate the Agency's process for setting fees and penalties.

### **Scope**

The scope of this audit covered fiscal years 2006 through 2008. Auditors reviewed the accuracy of the Agency's financial statements for fiscal year 2008 and the accuracy of the Agency's performance measures for fiscal years 2006 to 2008. Auditors also reviewed the Agency's process for setting fees and penalties and the automated systems that support the functions reviewed.

### **Methodology**

The audit methodology included collecting information and documentation; performing selected tests and other procedures; analyzing and evaluating the results of the tests; and conducting interviews with Agency management and staff.

Information collected and reviewed included the following:

- Internal database tables that included data used to calculate performance measure results and compile the Agency's fiscal year 2008 annual financial report.
- The Agency's annual financial report for fiscal year 2008 and statistical analysis of complaints for fiscal year 2008.
- Uniform Statewide Accounting System reports and Texas Safekeeping Trust Company statements.
- Revenue and expenditure vouchers.
- Revenue collection supporting documentation and deposit vouchers.

- Compliance and enforcement files.
- The Agency's *Financial Operations Procedures Manual*.
- The Agency's policies and procedures for calculating selected performance measures.
- Self-directed semi-independent project progress reports for the 2005-2006 and 2007-2008 biennia, and voluntarily submitted quarterly Reports on the Self-directed Semi-independent Agency Project Act for fiscal years 2006 through 2008.
- The Agency's 2008 annual budget and supporting fee analysis documentation.

Procedures and tests conducted included the following:

- Gaining an understanding of the Agency's overall control structure (control environment, control procedures, and accounting systems).
- Testing internal controls and significant accounts to determine the accuracy of financial data in the Agency's annual financial report for fiscal year 2008.
- Testing significant account balances/totals and classes of transactions, including testing detailed supporting documentation.
- Selecting samples of transactions for accounts audited to ensure that the Agency properly recorded amounts for the sampled transactions in (1) its general ledger and (2) its annual financial report.
- Testing selected performance measure data that the Agency reported quarterly, annually, and/or biennially to the Legislature and the Office of the Governor, and testing the internal controls in the system that produced the data.
- Evaluating the Agency's annual budget and fee-setting process and ensuring that the fee amounts complied with the Texas Occupations Code, Chapter 1001 (the Texas Engineering Practice Act) and Title 22, Texas Administrative Code, Section 139.35.
- Reviewing selected penalties assessed to ensure that the penalties complied with the guidelines established in the Texas Administrative Code and the Agency's *Enforcement Manual*.

Criteria used included the following:

- The Texas Engineering Practice Act (Texas Occupations Code, Chapter 1001).
- Title 22, Texas Administrative Code, Section 139.35.
- Title 1, Texas Administrative Code, Chapter 202.
- Texas Civil Statutes, Article 8930 (the Self-directed, Semi-independent Agency Project Act).
- The Agency's policies and procedures.
- Government Finance Officers Association (GFOA) publications.
- *Guide to Performance Measure Management* (State Auditor's Office Report No. 06-329, August 2006).

### **Project Information**

Audit fieldwork was conducted from March 2009 through May 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Michael O. Clayton, CPA, CISA, CFE, CIDA (Project Manager)
- Jennifer Logston, MBA (Assistant Project Manager)
- Alyssia Taylor
- Joe Kozak, CPA, CISA (Information Systems Audit Team Member)
- Leslie P. Ashton, CPA (Quality Control Reviewer)
- Lisa R. Collier, CPA (Assistant State Auditor)

## Board of Professional Engineers' Management Response



### TEXAS BOARD OF PROFESSIONAL ENGINEERS

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DALE BEEBE FARROW, P.E.  
EXECUTIVE DIRECTOR

June 15, 2009

State Auditor's Office  
ATTN: Michael Clayton, CPA  
P.O. Box 12067  
Austin, Texas 78711-2067

Subject: Management Response to Audit Findings and Recommendations of Self-Directed, Semi-Independent Agencies – Board of Professional Engineers

Dear Mr. Clayton,

We would like to submit the following comments regarding your draft Audit Report dated June 4, 2009. Page numbers correspond to those in your report.

1. A statistical analysis of complaints was not included in the FY 08 AFR as required by Occupations Code 1001.254. (pg 9)

*The statistical analysis report was generated and provided to the auditors during the fieldwork phase of the audit process and an addendum containing the statistical analysis report was sent to all AFR recipients. The AFR process has been updated to include this report as an addendum in all future reports.*

2. The Board should implement a formal review process for its performance measure reports. (pg 10)

*A formal review process is now in place and all performance measure instructions (via agency Wiki pages) have been updated. All data will be generated at the departmental level, will be compiled and verified against source documentation (see #3 below) by the Deputy Executive Director, and will receive a final review by the Executive Director. This change was implemented during the fieldwork phase of the audit process.*

3. The Board should retain the source documentation that is extracted from TIDE database to support the performance measure information reported. (pg 10)

*All support documentation will now be stored in Adobe PDF format in designated folders on the agency's shared S: drive. All performance measure instructions (via agency Wiki pages) have been updated to include this process. This change was implemented during the fieldwork phase of the audit process.*

State Auditor's Office  
ATTN: Michael Clayton, CPA  
June 15, 2009  
Page 2

4. Average Time for Complaint Resolution was not consistently reported. (pg 9)  
[remainder of comment excluded]

*The definition for this performance measure has been more clearly defined (via agency Wiki pages) and processes for verification as outlined in #2 and #3 above will be followed in the future. This change was implemented during the fieldwork phase of the audit process.*

5. The number of PE examinees in the October 2006 voluntary SDSI quarterly report was over reported by 12.42%. (pg 9)

*The data reported was a result of incorrect data entry. This information has not been incorrect since this data was reported, and the processes for verification as outlined in #2 and #3 above will be followed in the future. This change was implemented during the fieldwork phase of the audit process.*

The Texas Board of Professional Engineers would like to thank the State Auditors Office and specifically the Audit Team for their professionalism in completing this audit and in bringing forward these recommendations to improve agency operations. As of the date of this letter, all recommendations have been implemented.

Thank you for the opportunity to comment.

Best Regards,



Dale Beebe Farrow, P.E.  
Executive Director  
Texas Board of Professional Engineers

**Related State Auditor's Office Work**

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Related SAO Work		
Number	Product Name	Release Date
05-018	An Audit Report on Selected Fiscal Year 2004 Operations of the Board of Professional Engineers: A Self-Directed Semi-Independent Agency	January 2005
04-015	An Audit Report on The Board of Professional Engineers: A Semi-Independent, Self-Directed Agency	December 2003

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair  
The Honorable Joe Straus III, Speaker of the House, Joint Chair  
The Honorable Steve Ogden, Senate Finance Committee  
The Honorable Thomas “Tommy” Williams, Member, Texas Senate  
The Honorable Jim Pitts, House Appropriations Committee  
The Honorable Rene Oliveira, House Ways and Means Committee

### **Office of the Governor**

The Honorable Rick Perry, Governor

### **Board of Professional Engineers**

Members of the Board of Professional Engineers

Mr. G. Kemble (Kern) Bennett, Ph.D., P.E., Chair  
Mr. Jose F. Cardenas, P.E., Vice-chair  
Mr. Edward L. Summers, Ph.D., Treasurer  
Ms. Shannon K. McClendon, Secretary  
Mr. James Greer, P.E.  
Mr. Govind Nadkarni, P.E.  
Mr. Gary W. Raba, D. Eng., P.E.  
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Mr. Daniel O. Wong, Ph.D., P.E.  
Ms. Dale Beebe Farrow, P.E., Executive Director



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