



An Audit Report on

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

February 2018

Report No. 18-016



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Overall Conclusion

The Board of Professional Engineers (Agency) established processes and controls that helped ensure that it accurately reported financial information as required. The Agency also had adequate processes for setting fees and assessing administrative penalties; however, it should strengthen certain controls to ensure that it consistently reports accurate information.

The Agency had financial processes and controls to help ensure that it accurately reported revenues and expenditures in its annual financial reports for fiscal years 2016 and 2017. In addition, it transferred all required funds to the General Revenue Fund. The Agency also complied with certain statutory requirements related to submitting annual and biennial reports. However, it should update its policies and strategic plan to ensure that it provides clear and consistent information and establish a process to verify the accuracy of certain data in the Texas Informational Database for Engineers (TIDE), its licensing, enforcement, and revenue database.

The Agency's process for setting fees helped to ensure that the Agency covered its operational costs. The Agency also had a process to assess administrative penalties in a consistent manner. However, the Agency should formalize its process for waiving certain licensing fees and assess all administrative penalties in accordance with its policies.

The Agency established information technology system controls to help ensure the reliability of its financial accounting data and most of its performance measure reporting data. However, the Agency should strengthen those controls to address certain security risks that could affect the reliability of its information. To minimize security risks, auditors communicated details about certain issues directly to the Agency in writing.

Auditors communicated other, less significant issues to Agency management separately in writing.

Background Information

The Board of Professional Engineers (Agency) regulates the practice of professional engineering in Texas. Its primary functions include licensing qualified engineers, enforcing the Texas Engineering Practice Act, and regulating the practice of engineers. As of August 31, 2017, the Agency regulated 63,984 engineers, 19,390 engineers in training, and 10,571 engineering firms, and it employed 31 individuals.

Effective September 1, 2001, the Agency became a self-directed, semi-independent (SDSI) agency. It is permitted to continue as an SDSI agency until at least September 1, 2025, when it will be subject to sunset review.

The Agency establishes its own budget, which must be supported with revenues the Agency generates. Its governing board includes nine members appointed by the Governor and confirmed by the Texas Senate.

Source: The Agency.

Table 1 presents a summary of the findings in this report and the related issue rating. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	The Agency Had Controls to Help Ensure That Its Financial Information Was Complete and Accurate	Low
1-B	The Agency Had Controls to Help Ensure Compliance with Certain SDSI Reporting Requirements; However, It Should Strengthen Certain Controls to Ensure That It Consistently Reports Accurate Performance Data	Medium
2-A	The Agency Had an Adequate Fee-setting Process to Cover Its Operational Costs	Low
2-B	The Agency Established Policies and a Tool for Assessing Administrative Penalties; However, It Did Not Consistently Follow Its Policies for Assessing Administrative Penalties	Medium
3	The Agency Should Strengthen Certain Information Technology Security Controls	Medium

^a A chapter/subchapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the **audited entity's ability to effectively administer the program(s)/function(s) audited**. **Immediate action is required to address** the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated High if the issues identified present risks or effects that if not addressed could substantially affect the **audited entity's ability to effectively administer the program(s)/function(s) audited**. **Prompt action is essential to address** the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the **audited entity's ability to effectively administer** program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated Low if the **audit identified strengths that support the audited entity's ability to administer the** program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the **audited entity's ability to effectively administer the program(s)/function(s) audited**.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The Agency agreed with the recommendations in this report.

Audit Objectives and Scope

The objectives of this audit were to:

- Determine whether the Agency has processes and related controls to help ensure the accuracy and completeness of financial and performance data.
- Evaluate the Agency's processes for setting fees and penalties.

The scope of this audit covered applicable processes and supporting documentation for financial information from September 1, 2015, through August 31, 2017, and performance information from September 1, 2015, through February 28, 2017.

Contents

Detailed Results

Chapter 1	
The Agency Established Controls to Help Ensure That Its Financial and Most Performance Data Was Complete, Accurate, and Complied with Reporting Requirements.....	1
Chapter 2	
The Agency Had a Process for Setting Fees and Assessing Administrative Penalties; However, It Should Strengthen Its Penalty Assessment Process to Ensure Compliance With Its Policies.....	5
Chapter 3	
The Agency Should Strengthen Certain Information Technology Security Controls.....	9

Appendices

Appendix 1	
Objectives, Scope, and Methodology	12
Appendix 2	
Issue Rating Classifications and Descriptions.....	16
Appendix 3	
Related State Auditor’s Office Work	17

Detailed Results

Chapter 1

The Agency Established Controls to Help Ensure That Its Financial and Most Performance Data Was Complete, Accurate, and Complied with Reporting Requirements

The Board of Professional Engineers (Agency) had financial processes and controls to help ensure that it accurately reported revenues and expenditures in its annual financial reports for fiscal years 2016 and 2017. In addition, it transferred all required funds to the General Revenue Fund. The Agency also complied with certain statutory reporting requirements and it reported accurate information for selected performance measures. However, the Agency should strengthen certain controls to help ensure that it continues to report accurate performance data.

Chapter 1-A

The Agency Had Controls to Help Ensure That Its Financial Information Was Complete and Accurate

Chapter 1-A
Rating:
Low ¹

The Agency had sufficient controls in place to help ensure that its revenues and expenditures were complete and accurately reported in its annual financial reports for fiscal years 2016 and 2017.

Financial Data

The Agency ensured that all revenue it recorded in the Texas Informational Database for Engineers (TIDE), its licensing, enforcement, and revenue database, was deposited into its Texas Treasury Safekeeping Trust Company account and was accurately reported in its annual financial reports for fiscal years 2016 and 2017.

The Agency also ensured that it accurately reported expenditures recorded in the Uniform Statewide Accounting System (USAS) in its fiscal year 2016 and 2017 annual financial reports. In addition, all 25 fiscal year 2017 expenditures that auditors tested were approved; supported; and accurately recorded, classified, and reported in the correct financial period.

The Agency established appropriate segregation of duties among the individuals who entered and posted expenditure transactions in USAS.

¹ Chapter 1-A is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Fund Transfers Required by Statute

The Agency remitted \$373,900 to the General Revenue Fund as required by Texas Government Code, Section 472.102(c). In addition, the Agency ensured that administrative penalties it collected—totaling \$46,270 and \$63,820 in fiscal years 2016 and 2017, respectively—were deposited into the General Revenue Fund as required by Texas Government Code, Section 472.110(d).

Financial Reconciliations

The Agency's policies and procedures require revenues and expenditures to be reconciled on a monthly basis. For fiscal year 2017, auditors tested two monthly revenue reconciliations and determined that those reconciliations were adequately supported, mathematically accurate, and reviewed and approved as required by Agency policy.

Auditors also reviewed the Agency's fiscal year 2017 expenditure tracking document, which the Agency used to monitor its expenditures on a monthly basis. The information in that tracking document was sufficiently supported and the total expenditures listed in that document agreed with amounts reported in the Agency's fiscal year 2017 annual financial report.

Chapter 1-B

The Agency Had Controls to Help Ensure Compliance with Certain SDSI Reporting Requirements; However, It Should Strengthen Certain Controls to Ensure That It Consistently Reports Accurate Performance Data

Chapter 1-B
Rating:
Medium ²

The Agency complied with certain statutory reporting requirements and it reported accurate information for two of the three performance measures that auditors tested. However, the Agency should strengthen certain controls to help ensure that it continues to report accurate performance data.

Self-directed, Semi-independent (SDSI) Reports

The Agency submitted its 2017 SDSI biennial and fiscal year 2016 annual reports to the Legislature and the Office of the Governor in a timely manner and as required by Texas Government Code, Section 472.104 (see text box).

Required SDSI Reports

Texas Government Code, Section 472.104, requires the Agency to:

- Submit a biennial report with specific information to the Legislature and the governor by the first day of legislative session.
- Submit an annual report with specific information to the governor, the committee of each house of the Legislature that has jurisdiction over appropriations, and to the Legislative Budget Board by November 1.

² Chapter 1-B is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Performance Measures

Number of Individuals Licensed. The Agency accurately reported in its fiscal year 2016 annual report the Number of Individuals Licensed performance measure, which includes active and inactive licensees, as 61,863 licensees. The Agency also accurately reported that performance measure for the first two quarters of fiscal year 2017 to its governing board.

Number of Certificate Holders. The Agency accurately reported in its fiscal year 2016 annual report the Number of Certificate Holders as 16,707. The Agency also accurately reported that performance measure for the first two quarters of fiscal year 2017 to its governing board. However, the Agency's policies and strategic plan included contradictory guidance for that performance measure. Specifically, each document contained a section that stated the total number of certificate holders should be calculated as of the start of the reporting period, but each document also contained a section that stated the total number of certificate holders should be calculated as of the end of the reporting period.

Average Time for Complaint Resolution. The Agency calculated the Average Time for Complaint Resolution performance measure as designed for fiscal year 2016 and the first two quarters of fiscal year 2017; however, auditors could not determine the accuracy of the Agency's reported results for that performance measure because the Agency did not consistently record case closed dates in accordance with its policy. Specifically, documentation for 3 (12.0 percent) of 25 enforcement cases tested did not support the case closed date recorded in TIDE. The Agency used the case closed date to calculate the average time for complaint resolution. The State Auditor's Office previously reported that issue in *An Audit Report on the Board of Professional Engineers: A Self-directed, Semi-independent Agency* (State Auditor's Office Report 12-025, March 2012).

In addition, the Agency's policies and strategic plan included conflicting information regarding the type of data that should be included in the calculation for the Average Time for Complaint Resolution. While the Agency's policy indicated that cases that it determines to be outside its jurisdiction should be included in its performance measure calculation, its strategic plan stated that those cases should be excluded. The Agency's practice was to include those cases in its performance measure calculation.

Lack of a clear methodology to calculate performance measures increases the risk of reporting inaccurate results to decision makers.

Recommendations

The Agency should:

- Update its policies and strategic plan to (1) clearly describe how performance measures should be calculated and (2) ensure that its policies and strategic plan do not provide conflicting information.
- Develop and implement a process to verify that the case closed dates recorded in TIDE match supporting documentation.

Management's Response

1. *The agency completed all recommended updates to the policies and procedures in November 2017 to reflect the current processes for performance measures.*
2. *The agency updated the written policies and procedures in December 2017 to clarify the existing process and verify case closed dates match TIDE information.*

The Agency Had a Process for Setting Fees and Assessing Administrative Penalties; However, It Should Strengthen Its Penalty Assessment Process to Ensure Compliance With Its Policies

The Agency's process for setting fees helped to ensure that it covered its operational costs. However, the Agency should formalize its process for waiving certain licensing fees. The Agency also had a process to assess administrative penalties in a consistent manner, but it should ensure that all administrative penalties are assessed in accordance with its policies.

Chapter 2-A

The Agency Had an Adequate Fee-setting Process to Cover Its Operational Costs

Chapter 2-A
Rating:
Low³

The Agency established a fee-setting process. The Agency had written policies and procedures to review its fees and establish a budget to ensure that the Agency collected sufficient revenue to cover its operational costs. The fee-setting process was dependent on the Agency's budgetary needs, and as part of its annual budget process, the Agency considered historical information, forecasted revenues, and forecasted expenditures. Based on that information, the Agency then considered whether it needed to adjust its fees to collect the desired amount of revenue. Auditors analyzed 14 of the Agency's license and certificate fees from fiscal year 2012 through fiscal year 2017 and determined that those fees generally remained stable.

From fiscal year 2012 through fiscal year 2017, the Agency maintained an average annual fund balance of \$895,587, which was within the range that the Agency asserted it intended to maintain. The Agency's governing board reviewed and approved the fiscal year 2016 and 2017 proposed budgets as required by Texas Government Code, Section 472.102(a).

The Agency waived selected late licensing penalty fees. The Agency established controls to help ensure that license renewal fees and penalties were accurately assessed. However, the Agency did not have a documented policy or process for waiving late licensing penalty fees. Auditors reviewed a report generated from TIDE that listed all adjustments to the fees that the Agency assessed during fiscal years 2016 and 2017 and determined that the Agency waived \$3,715 in late licensing penalty fees. Although the Agency documented an explanation for those waived fees, it had not established a process to monitor the fees that it waived. Not having a formal process for

³ Chapter 2-A is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

waiving fees, including a process to monitor the fees it waives, increases the risk that the Agency could inconsistently waive fees going forward.

Recommendations

The Agency should:

- Document its policies and procedures for waiving fees.
- Develop a process to monitor, on a regular basis, the fees it waives.

Management's Response

1. *The agency updated the written policies and procedures in November 2017 to reflect the current processes that have been in place for adjusting, correcting, and waiving fees.*
2. *The agency updated the written policies and procedures in November 2017 to match the current processes that have been in place for adjusting, correcting, and waiving fees. All fee waivers require approval of Director level and above. A review by the agency shows that all fees waived were done correctly.*

The Agency Established Policies and a Tool for Assessing Administrative Penalties; However, It Did Not Consistently Follow Its Policies for Assessing Administrative Penalties

Chapter 2-B
Rating:
Medium ⁴

The Agency established policies, procedures, and a penalty assessment tool to help ensure that it assessed administrative penalties in a consistent manner and in compliance with the requirements in Texas Occupations Code, Section 1001.502 (see text box).

Auditors tested 13 administrative penalties totaling \$35,635 that the Agency assessed from September 1, 2015, through February 28, 2017. While the Agency obtained the approval of its governing board for all 13 administrative penalties tested, it did not consistently follow its policies. Specifically:

- For 6 (46.2 percent) of 13 penalties tested, the Agency did not use its penalty assessment tool. The Agency asserted that it did not need to use that tool in those 6 cases; however, the Agency developed the tool as a way to demonstrate its compliance with statutory requirements.
- For 3 (23.1 percent) of 13 penalties tested, the Agency did not document executive management review and final approval of the penalty. Agency policies and procedures state that the deputy executive director and executive director will review proposed administrative penalties.

Texas Occupations Code,
Section 1001.502

- (a) The amount of an administrative penalty may not exceed \$5,000 for each violation. Each day a violation continues or occurs is a separate violation for purposes of imposing a penalty.
- (b) The amount of the penalty shall be based on:
- (1) the seriousness of the violation, including:
 - (A) the nature, circumstances, extent, and gravity of the prohibited act; and
 - (B) the hazard or potential hazard created to the health, safety, or economic welfare of the public;
 - (2) the economic harm to property or the environment caused by the violation;
 - (3) the history of previous violations;
 - (4) the amount necessary to deter a future violation;
 - (5) efforts or resistance to efforts to correct the violation; and
 - (6) any other matter that justice may require.

Not enforcing its penalty assessment policy increases the risk that the Agency will not assess administrative penalties consistently or consider all required statutory factors when assessing a penalty.

⁴ Chapter 2-B is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Recommendations

The Agency should:

- Consistently follow its policies and procedures for assessing administrative penalties or develop an alternative standardized process to document compliance with the requirements in Texas Occupations Code, Section 1001.502.
- Document executive management review and final approval for all penalties assessed.

Management's Response

1. *The agency updated the written policies and procedures in December 2017 regarding the calculation of enforcement penalties, both with and without the worksheet / penalty assessment tool. The agency worksheet / penalty assessment tool currently in place was approved by the Board at the November 2016 meeting and is used in conjunction with a recommended sanction matrix in the Board rules. This process has been used consistently by staff for enforcement cases. All enforcement penalties are approved by the Board.*
2. *The agency updated the written policies and procedures in December 2017 for the review of suggested enforcement penalties to reflect current procedures. All enforcement penalties are approved by the Board.*

The Agency Should Strengthen Certain Information Technology Security Controls

Chapter 3
Rating:
Medium ⁵

The Agency's information technology system controls provided reasonable assurance of the reliability of data used for financial accounting (see text box for details about the Agency's information systems). The Agency also had controls that provided reasonable assurance of the reliability of most data used for performance measure reporting. However, the Agency should strengthen its information technology controls to ensure the reliability of its information.

Policies and Procedures. The Agency's policies and procedures generally aligned with the requirements in Title 1, Texas Administrative Code, Chapter 202. However, those policies and procedures did not always fully address certain requirements regarding user access, change management, and passwords.

User access. The Agency adequately restricted user access to its network; the Engineer's Cash Handling Online (ECHO) system, which allows individuals to manage and renew their licenses online; and USAS. However, it did not consistently restrict access to TIDE based on users' current job responsibilities. Auditors identified 12 (41.4 percent) of 29 employees tested who had inappropriate access to certain functions in that system, such as the ability to modify or remove fees. In addition, Agency management asserted that it did not review user access to TIDE in fiscal years 2016 and 2017. Auditors also identified other weaknesses related to user access and communicated the details of those weaknesses separately in writing to Agency management.

Application Controls. The ECHO and TIDE systems generally had effective application controls to help ensure the reliability of data in those systems. However, TIDE did not have an application control to prevent a user from entering a complaint closed date that was prior to the complaint's opened date. That could result in inaccurate data being entered into the system and affect the accuracy of the Average Time for Complaint Resolution

Agency Information Systems

Auditors performed limited testing of general and application controls over the following key information technology systems that the Agency used to manage and report financial and performance data:

- The Texas Informational Database for Engineers (TIDE), which is the Agency's licensing, enforcement, and revenue database. The Agency also generates data for performance measure reports from that system.
- The Engineer's Cash Handling Online System, which is a Web-based application that allows individuals to manage and renew their licenses online.
- Uniform Statewide Accounting System (USAS), which the Agency used to process its expenditures and prepare its annual financial report.

⁵ The risk related to the issues discussed in Chapter 3 is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

performance measure discussed in Chapter 1-B. Auditors did not identify any cases between September 1, 2015, through February 28, 2017, for which the case closed date was prior to the case opened date.

Change Management. The Agency's current change management process did not ensure that changes were appropriately documented, authorized, tested, approved, and released into production by someone other than the programmer who created the change.

Implementing effective information technology security controls helps ensure that access to critical information systems is appropriately restricted to minimize the risk of unauthorized changes to information.

Recommendations

The Agency should:

- Update its policies and procedures to fully address the user access, change management, and password requirements specified in Title 1, Texas Administrative Code, Chapter 202.
- Assign user access rights to TIDE based on users' job responsibilities and perform a review of user access on a periodic basis. The Agency should also strengthen user access settings to its information systems.
- Develop and implement a process to require that changes to its information systems be appropriately documented, authorized, tested, and approved prior to releasing into production.
- Implement an application control in TIDE to prevent a user from entering a complaint closed date that is prior to the complaint's opened date.

Management's Response

1. *The agency has reviewed the specific requirements in Title 1, Texas Administrative Code, Chapter 202 in January 2018. Policies and procedures were updated in January 2018 to fully address the requirements for user access, change management, and password requirements.*
2. *User access to TIDE was reviewed as recommended by management in November 2017. Permissions were updated in November 2017 to reflect current job duties. In January 2018 agency directors agreed to conduct an annual review of TIDE permissions as a component of the agency Risk Assessment Process which is reviewed in February every calendar year.*

3. *Agency policies and procedures regarding updated information system changes were updated as recommended in January 2018.*
4. *Business logic was implemented in the TIDE system to prevent date conflicts as recommended in November 2017.*

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Board of Professional Engineers (Agency) has processes and related controls to help ensure the accuracy and completeness of financial and performance data.
- Evaluate the Agency's processes for setting fees and penalties.

Scope

The scope of this audit covered applicable processes and supporting documentation for financial information from September 1, 2015, through August 31, 2017, and performance information from September 1, 2015, through February 28, 2017.

Methodology

The audit methodology included collecting information and documentation, performing selected tests and other procedures on the information obtained, analyzing and evaluating the results of tests, and conducting interviews with Agency management and staff. In addition, the methodology included performing a limited review of the general and application controls over the information technology systems that the Agency used to manage and report financial data and performance measure data.

Data Reliability and Completeness

Auditors used revenue, administrative penalty, and performance data from the Agency's Texas Informational Database for Engineers (TIDE). To determine the reliability of the data, auditors reviewed (1) user access, (2) change management, and (3) selected application controls. Auditors also reviewed the information in key data fields for appropriateness, completeness, and accuracy. In addition, auditors reconciled revenue totals among TIDE, the Uniform Statewide Accounting System (USAS), and the Agency's bank statements. Auditors determined that revenue, administrative penalty, and licensing data was sufficiently reliable for the purposes of this audit. However, the enforcement data in TIDE was not reliable because the Agency did not consistently record case closed dates in that system according to its policy (as discussed in Chapter 1-B).

Auditors also used expenditures data from USAS. To determine the reliability of that data, auditors (1) tested user access, (2) reviewed the validity and completeness of key data fields, and (3) compared the data to other sources. Additionally, auditors relied on previous State Auditor's Office audit work performed on USAS. Auditors determined that USAS expenditure data was sufficiently reliable for the purposes of this audit.

Sampling Methodology

To assess the Agency's financial processes related to non-payroll expenditures, auditors selected a nonstatistical sample primarily through random selection designed to be representative of the non-payroll expenditures population. Test results may be projected to the population, but the accuracy of the projection cannot be measured.

To assess the Agency's financial reconciliation processes, auditors selected a risk-based sample of monthly reconciliations that the Agency had performed in fiscal year 2017. The sample items were generally not representative of the population and, therefore, it would not be appropriate to project those test results to the population.

To determine whether the Agency accurately recorded the complaints closed date, auditors selected a nonstatistical sample of closed complaints through random selection designed to be representative of the population. Test results may be projected to the population, but the accuracy of the projection cannot be measured.

To determine whether the Agency assessed administrative penalties in a consistent manner, auditors selected a nonstatistical sample of administrative penalties through random selection. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- The Agency's policies and procedures.
- The Agency's annual financial reports for fiscal years 2016 and 2017.
- Revenue data from TIDE and expenditures data from USAS.
- Agency monthly reconciliation packets and supporting documents.
- Purchase orders, invoices, travel vouchers, and supporting documentation for Agency expenditures.

- Board meeting minutes, budget information, and supporting documentation for the Agency's budget process.
- TIDE data and supporting documentation for selected performance measures.
- The Agency's annual and biennial reports for self-directed, semi-independent (SDSI) agencies.
- TIDE data for waived penalties fees.

Procedures and tests conducted included the following:

- Interviewed Agency staff to identify the Agency's financial and operations processes.
- Evaluated the Agency's annual budget and fee-setting process.
- Tested the Agency's compliance with transfer requirements related to its SDSI fees and administrative penalties.
- Tested internal controls and non-payroll expenditures, including reviewing supporting documentation, to determine the accuracy of selected financial data.
- Tested selected closed complaints to determine whether the Agency accurately documented the complaints information in TIDE.
- Tested selected administrative penalty fees to determine whether the Agency assessed those fees in a consistent manner and in compliance with Texas Occupations Code, Chapter 1001.
- Recalculated selected performance data that the Agency reported in its annual SDSI report for fiscal year 2016 and the first two quarters of fiscal year 2017.
- Tested selected general controls for the Agency's network, TIDE, and the Engineer's Cash Handling Online (ECHO) system. Auditors also performed limited application control testing for TIDE and ECHO.

Criteria used included the following:

- Texas Government Code, Chapter 472.
- Texas Occupations Code, Chapter 1001.
- Title 22, Texas Administrative Code, Part 6.

- Title 1, Texas Administrative Code, Chapter 202.
- The Office of the Comptroller of Public Accounts' *Manual of Accounts*.
- *The Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).
- The Agency's policies and procedures.

Project Information

Audit fieldwork was conducted from August 2017 through January 2018. 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:

- Ileana Barboza, MBA, CGAP (Project Manager)
- Namita Pai, MS, CPA (Assistant Project Manager)
- Taylor Sams
- Joseph Smith, MBA, CISA
- Ann E. Karnes, CPA (Quality Control Reviewer)
- Audrey O'Neill, CIA, CFE, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
12-025	An Audit Report on the Board of Professional Engineers: A Self-directed, Semi-independent Agency	March-2012

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The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

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