

An

# Audit Recommendations Status Report

(As of June 30, 1998)



Office of the State Auditor  
Lawrence F. Alwin, CPA

August 1998

Report No. 98-063

# What the *Audit Recommendations Status Report* Is All About

The *State Auditor's Office Audit Recommendations Status Report* contains information reported by state agencies regarding their progress in implementing significant SAO audit recommendations. Most recommendations in this report were issued on or after September 1, 1997. Information is reported "as of" June 30 and December 31.

Every six months, the State Auditor's Office requests that agencies submit updated information on the implementation status of significant recommendations. The SAO compiles the information into this report.

Brief descriptions of the information in this report are listed below:

- Report Name and Number – Recommendations per agency are organized in order according to the report in which they appeared.
- Finding – A very brief version of the reported finding is included. Finding numbers are for reference purposes within this report. They do not necessarily correspond to numbering within the published reports. An Overall Status is listed as a summary for all recommendations contained in one finding. See Status Reported by Agency below for more information.
- Recommendation – Significant recommendations for each finding are listed. Agencies report status for each recommendation listed.
- Status Reported by Agency – Agencies report one of the following status categories for each recommendation:
  - Implemented
  - Partially Implemented
  - Factors Delay Implementation
  - No Action Taken
  - Do No Plan to Take Corrective Action
  - Other

In addition, agencies provide brief explanations for the status category identified for the recommendation.

- Implementation History – When applicable, previously reported progress toward implementing a recommendation is included.

## What the *Audit Recommendations Status Report* Is All About

- Target Date – Agencies report the current date planned for full implementation of each recommendation.
- Contact – The agency identifies the person who can provide additional information about a particular recommendation.
- Verified by – Agencies indicate if implemented recommendations have been verified by an independent source such as an internal auditor.
- Management's Response from Original Report – A synopsis of agency management's response to the published recommendation.

# Table of Contents

General Services Commission .....	1
Comptroller of Public Accounts.....	12
State Securities Board .....	15
Texas Workforce Commission .....	18
Fire Fighter's Pension Commissioner.....	35
Employees Retirement System of Texas.....	41
Department of Housing and Community Affairs.....	50
Commission for the Deaf and Hard of Hearing .....	52
Commission on Human Rights.....	54
Texas Lottery Commission .....	63
Veterans Commission .....	72
Department of Public Safety.....	75
Commission on Fire Protection.....	79
Department of Licensing and Regulation.....	85
Workers' Compensation Commission.....	86
Board of Private Investigators and Private Security Agencies.....	89
Texas Racing Commission.....	101
Advisory Commission on State Emergency Communication.....	109
Department of Health .....	110
Board of Barber Examiners.....	115
Board of Medical Examiners.....	120
Board of Dental Examiners.....	124
Board of Nurse Examiners.....	128
Funeral Service Commission .....	130
Commission on Alcohol and Drug Abuse .....	132
Animal Health Commission .....	133
Texas Agriculture Experiment Station .....	140
Water Development Board .....	142
State Soil & Water Conservation Board .....	148
Department of Mental Health and Mental Retardation .....	150

# Table of Contents

Department of Criminal Justice .....	161
Texas Education Agency .....	194
Prairie View A&M University.....	203
The University of Texas at Austin .....	212
The University of Texas at El Paso .....	221
University of Houston .....	225
Lamar University - Beaumont.....	228
The University of Texas at San Antonio .....	255
The University of Texas Health Science Center at San Antonio .....	260
The University of Texas at Brownsville.....	263
Stephen F. Austin University.....	266
Sul Ross State University .....	272
School for the Blind and Visually Impaired .....	275
School for the Deaf .....	278
Commission on the Arts.....	282

Agency No. 303  
**General Services Commission**

**An Audit Report on Management Controls at the General Services Commission**  
 SAO Report No. 97-080, August, 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Failure to correct long-standing problems indicates ineffective oversight and a lack of accountability.	
Recommendation	Status Reported by Agency
Develop a clear chain of agencywide accountability for improvements.	<p style="text-align: right;">Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>The Agency has developed an accountability policy. The policy requires every employee to have a detailed job description and list of job responsibilities on file. A large percentage of the Agency's employees have tailor-made job descriptions that have been discussed and agreed upon. However, there are a couple of divisions within the Agency that have recently been reorganized or restructured. Employees affected by the above changes may not have tailor-made job descriptions developed by June 30, 1998. In addition, there are key positions within some divisions that are vacant. Specific job responsibilities will be outlined, discussed, and agreed upon once the positions are filled.</p> <p>The policy also requires each level of management to review applicable statutes, rules, policies, and procedures with their staff. In addition, the policy established guidelines for disciplinary actions for non-performance of job responsibilities or violations of statutes, rules, policies or procedures.</p> <p>Employees have reviewed Title 10, as it applies to their program, internal policies, and the Agency's handbook. The Agency's Operating Policies and Procedures have not been reviewed because they are being edited by all managerial staff. Executive management is using software provided by the needs analysis consultant to solicit input from staff before the policies are fully adopted. During mid-June, employees were able to communicate, via computer, their suggestions and recommendations on the policies. More employee buy-in and thus policy compliance is expected as a result of this action.</p> <p><b><u>Implementation History</u></b></p> <p style="text-align: right;">Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      Target Date : 6/30/98</p> <p>Executive management has developed and is implementing an agency-wide system to improve accountability within the Agency. The system includes five tiers made up of the associate deputies, division directors, program directors, program managers, and supervisors. Each tier of management job responsibilities will be specifically outlined. Executive management will work with the Human Resources Division and the Legal Division to ensure actions taken for noncompliance are equitable throughout the Agency.</p>

Agency No. 303  
**General Services Commission**

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Failure to correct long-standing problems indicates ineffective oversight and a lack of accountability.			
Recommendation	Status Reported by Agency		
<p>Develop a clear chain of agencywide accountability for improvements.</p> <p>Continued</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The Agency participated in the 1998-1999 U.T. School of Social Work Survey of Organizational Excellence. The survey period was from January 13 through March 15, 1998. The Agency had a response rate of 56%. The survey results were available in May and shared with staff members at the "All Staff Seminars." The Agency also devoted a large part of its June newsletter to answering questions asked during the seminars.</p> <p>The Agency will be conducting seven focus groups on August 4th, 5th, and 6th, to receive additional feedback from staff on the survey results. The focus groups will be facilitated by the U.T. School of Social Work and the vendor (Spectrum) conducting the Agency's needs analysis.</p> <p>The focus group's recommendations will be shared with staff at the next "All Staff Seminars," which are scheduled for the end of August. The Agency intends to use survey results, information obtained from the focus groups, and recommendations from the needs analysis to develop an implementation plan. GSC expects to start plan implementation by September 1998.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED                      Target Date: 4/1/98</p> <p>The Agency has asked the UT-Austin School of Social Work to conduct an organizational survey. The survey was confidentially mailed to each employee of the Agency. We anticipate results from the survey by April 1, 1998.</p> <p>Contact: Jerry Williams, Associate Deputy</p>		
<p>Assign responsibility for implementing changes.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>                      <b>Target Date: 9/1/98</b></p> <p><b>Job Descriptions:</b> The Agency has developed a standardized format to use when identifying an employee's essential functions and job responsibilities. A majority of the divisions will have developed tailor-made job descriptions by June 30, 1998. However, due to some recent restructuring, some divisions will not be able to meet the June 30th deadline. For example, as a part of restructuring one division, employees assumed new roles and in some cases key managerial positions were created. Job descriptions for the newly created positions will be completed as soon as the positions are filled.</p> <p><b>Performance Evaluations:</b> The Agency is emphasizing the necessity to have up-to-date performance evaluations for all employees. The Human Resources Division has developed an improved system to track the status of performance evaluations. The system sends out notices identifying due dates and reminders when evaluations become delinquent. Each management level employee has the responsibility for monitoring evaluations and ensuring all are compiled in a timely manner.</p>		

Agency No. 303  
**General Services Commission**

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Failure to correct long-standing problems indicates ineffective oversight and a lack of accountability.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
	<p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 6/30/98</p> <p>By June 30, 1998, tailor-made job descriptions and up-to-date performance evaluations will be on file for employees throughout the Agency. Appropriate levels of management will be held responsible for ensuring compliance with applicable rules, statues, internal policies, etc.</p> <p>Contact: Jerry Williams, Associate Deputy</p>
Hold responsible individuals accountable.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>As previously stated, the Agency has developed a standardized format to use when identifying an employee's essential functions and job responsibilities. A majority of the divisions will have developed tailor-made job descriptions by June 30, 1998. However, due to some recent reorganizations, some divisions will not be able to meet the June 30th deadline.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 6/30/98</p> <p>By June 30, 1998, each employee will have a signed document on file evidencing that they understand their roles and responsibilities.</p> <p>Contact: Jerry Williams, Associate Deputy</p>
<u>Management's Response from Original Report:</u>	
<ul style="list-style-type: none"> <li>• Process for assessing root causes was initiated.</li> <li>• Strategies for implementing a system of management controls will be developed and prioritized.</li> <li>• Internal and external audit reports will be used to identify problems.</li> </ul>	

Agency No. 303  
**General Services Commission**

Finding 2:	Overall Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	
Operations routinely violate statute, policy, and sound business practice.		
Recommendation	Status Reported by Agency	
Emphasize to all employees the importance of adhering to statutory requirements and policies.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/1/98</span>  The Agency held an "All Staff Seminar" in January 1998 and in April 1998. The way in which the Agency has operated in the past and will operate in the future was discussed during those sessions.  The Agency has also developed an accountability policy. However, as previously stated, the policy has not been fully implemented by all divisions within the Agency.  <u>Implementation History</u>  Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 1/1/98</span>  On January 21,22, 1998, executive management will hold an "All Staff Seminar" to discuss management's vision for the Agency. The Agency's culture and operating style will also be addressed. An accountability policy will be developed and implemented by 1/1/98.  Contact: Tom Treadway, Executive Director, and Executive Staff	
	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/1/98</span>  Some divisions have identified major compliance and/or critical areas. However, the criteria used to determine what constitutes "critical" is not standardized across all Agency divisions. In the absence of this criteria, Division Directors are submitting bi-weekly activity reports to their Associate Deputy Director.  <u>Implementation History</u>  Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 3/31/98</span>  The Associate Deputies are scheduled to meet with Division Directors under their authority. Each director will be responsible for identifying the critical areas within their division. Division Directors will also be required to develop internal procedures for monitoring the critical areas. Periodic monitoring will be performed on the critical areas. Noncompliance and compliance will be reported to the appropriate deputy on a schematic basis not yet determined.  Contact: Jerry Williams, Associate Deputy	
Establish monitoring and enforcement procedures that would detect or prevent noncompliance.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/1/98</span>  Some divisions have identified major compliance and/or critical areas. However, the criteria used to determine what constitutes "critical" is not standardized across all Agency divisions. In the absence of this criteria, Division Directors are submitting bi-weekly activity reports to their Associate Deputy Director.  <u>Implementation History</u>  Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 3/31/98</span>  The Associate Deputies are scheduled to meet with Division Directors under their authority. Each director will be responsible for identifying the critical areas within their division. Division Directors will also be required to develop internal procedures for monitoring the critical areas. Periodic monitoring will be performed on the critical areas. Noncompliance and compliance will be reported to the appropriate deputy on a schematic basis not yet determined.  Contact: Jerry Williams, Associate Deputy	

Agency No. 303  
**General Services Commission**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Operations routinely violate statute, policy, and sound business practice.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Address specific issues related to procurement of goods and services,	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>A GSC Policy/Procedure for the Purchase of Raw Land was developed and implemented in November 1997. The policy/procedure delineates the process that must be followed when acquiring land either for GSC or for another state agency. The policy/procedure was utilized in the successful acquisition of land in Houston for the Department of Public Safety. It is also being utilized in the acquisition of a number of other parcels of land for DPS.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED                      Target Date: 2/28/98</p> <p>The Agency developed and implemented a policy related to the procurement of raw land. Detail RFP procedures related to raw land will be developed by 2/98.</p>
Address specific issues related to purchases of raw land, evaluation of rates and fees, disposal of surplus property, and merit raises.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>                      Target Date: 8/1/98</p> <p>The Texas State Disposal Survey is completed. The survey included testing various disposal methods. The Federal Surplus Division has submitted recommendations to executive management. Several of the recommendations will require legislative changes.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED                      Target Date: 8/1/98</p> <p>The Agency developed and distributed a state surplus property disposal survey to other states. The results of the report are in draft form but indicate that an auction is a very good method of disposing of property no longer needed by governmental entities. The survey also indicated the use of sealed bids can be effective in cases where transportation and storage cost would neutralize the benefits of other methods of final disposal. The agency continues to study the issue. The changes being considered may require legislative changes.</p> <p>Contact: Carl Mullen, Deputy Executive Director</p>
<i>Management's Response from Original Report:</i>	
<p><i>Management provided a five point-action plan to address issues related to procurement, construction services, and raw land. Management provided procedures to ensure rates and fees were evaluated. Management committed to identifying and evaluation other options for property in fiscal year 1998. The Human Resources Office implemented new procedures for merit increase and reclassifications.</i></p>	

Agency No. 303  
**General Services Commission**

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Management has not established a consistent methodology for some procurement and pricing decisions.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Enhance expertise in crucial methodologies (like rate setting and cost benefit analysis) by acquiring expertise in-house or contracting out for services.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 7/2/98</span>  The Agency developed a valid and consistent methodology for buy versus build versus lease in May 1998. The City of Austin's Real Estate Division has agreed to perform a third party review of the methodology. The City of Austin's review is expected to be completed by July 2, 1998.
	<u><b>Implementation History</b></u>  Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 6/1/98</span>  By 6/1/98 the Agency will have a valid and consistent methodology for buy versus build versus lease decisions.
<i>Management's Response from Original Report:</i>  By 6/1/98, management will establish a valid and consistent methodology for buy versus build lease.	

<b>Finding 3-C:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Information systems do not provide adequate and timely information needed to monitor agency performance.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Perform a comprehensive needs analysis to identify what information is currently available and the level of redundancies that exist in the current information system.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/4/98</span>  The contract of the Agency's needs analysis was awarded on May 12, 1998. The vendor receiving the award was Spectrum, Inc. The first deliverable will be provided on June 30, 1998.  Because of the delay in awarding the contract, the needs analysis will not be completed by June 1998, as initially expected. Instead, the projected completion date will be in September 1998.
	<u><b>Implementation History</b></u>  Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 6/30/98</span>  A Request for Proposal (RFP) was published in the December 29, 1997, issue of the Texas Register. Twenty-five packets were mailed to potential bidders. Responses to the RFP are due January 29, 1998. Evaluations of the responses to the RFP are due January 29, 1998. An evaluation of the responses will be completed by February 14, 1998. Prior to evaluating the responses, training on how to evaluate the responses will be submitted to the Executive Director by February 23, 1998. We anticipate the contract will be awarded by March 1, 1998, with completed results by June 1998.

Agency No. 303  
**General Services Commission**

**Finding 3-C:**

**Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED**

Information systems do not provide adequate and timely information needed to monitor agency performance.

Recommendation	Status Reported by Agency
	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/15/98</p> <p>The efficiency procedures have been developed and are under review by Executive Management.</p> <p><b><u>Implementation History:</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 3/1/98</p> <p>The needs analysis, the processes, and procedures to improve information management are being reviewed</p> <p>Contact: Donna Cordes, Information Resources</p>

***Management's Response from Original Report:***

*Needs Analysis will be complete by 3/1/98.*

*Information Resources Steering Committee will use results to leverage availability of information and prioritize projects.*

*Committee will develop long-term goals, with management concurrence, by 11/1/97.*

*By 3/1/98, processes and procedures to improve information management will be in place.*

Agency No. 303  
**General Services Commission**

<b>Finding 4-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Recent efforts to improve project management of construction with architect/engineer services should be enhanced.	
Recommendation	Status Reported by Agency
Ensure all prior internal audit recommendations are implemented.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>The Office of Internal Audit completed follow-up audits on previously audited programs (since 1995). Sixty-two percent of prior internal audit recommendations have been fully implemented.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 6/30/98</p> <p>Recommendations made in prior internal audit reports are currently being implemented. Justifications will be provided for recommendation not implemented.</p> <p>Contact: Jerry Williams and Melida Benavidez, Associate Deputies</p>
<p><i>Management's Response from Original Report:</i></p> <p>By 11/1/97, review of audit recommendations will be completed. Valid and feasible recommendations will be implemented in two phases. Periodic reviews of project management activities will be fully implemented by 1/1/98. Written customers service feedback instrument for construction will be implemented by 10/1/97.</p>	

Agency No. 303  
**General Services Commission**

<b>Finding 4-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Lack of vendor performance guidelines has allowed the agency to continue doing business with poorly performing vendors.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop/implement an automated system on vendor's past performance for GSC external agencies.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Policies have been developed, authority to fill two newly created positions has been granted by executive management, job descriptions have been developed, and the Facilities Planning and Space Management Program is in the process of identifying available space. A section entitled "Vendor Management" has been included as a topic in the new procurement training program. In addition, the new form for reporting on vendor performance has been developed and was issued with the <i>1998 State of Texas Procurement Manual</i>.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED                      Target Date: 3/31/98</p> <p>An internal committee continues to meet on a weekly basis to address issues that may surface as a result of implementing the Vendor Performance and Debarment Program. The committee anticipates the Program will be operational by March 31, 1998.</p> <p>Contact: Rolando Fabrega, Business Services</p>
<i>Management's Response from Original Report:</i>	
<i>Policies and procedures for addressing complaints against vendors will be developed by 3/1/98.</i>	

Agency No. 303  
**General Services Commission**

**Petroleum Violation Escrow Funds Contract Administration Audit**

SAO Report No. 98-014, January 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
<p>The LoanSTAR Revolving Loan Program lacks the ability to track, forecast, and analyze the financial operations of the LoanSTAR Revolving Loan Program.</p>	
Recommendation	Status Reported by Agency
<p>Develop a consistent fiscal management methodology and perform a regular analysis of program operations.</p>	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 9/4/98</p> <p>SECO performs a monthly analysis to calculate the value of the LoanSTAR Program. In addition, the program is in the process of developing a principal and interest LoanSTAR database that will be updated quarterly.</p> <p>SECO continues to investigate methods to more precisely forecast and analyze loan receivables. The Program is looking at revising the definition of administrative costs and identifying ways to effectively monitor current interest rates available for energy retrofit financing.</p> <p>In addition, the vendor conducting the Agency's needs analysis (Spectrum) is scheduled to provide an assessment of SECO's fiscal management system, including the LoanSTAR Program. The Agency's needs analysis will be completed in September 1998. Since Spectrum will provide SECO with recommendations to improve overall operations, the audit recommendations may not be implemented until September 1998.</p>
<p>Identify the data necessary and develop a system to track information to be used in the ongoing analysis of the fund.</p>	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 9/4/98</p> <p>SECO will look to Spectrum, Inc., to provide guidance in developing a system to track information needed for an ongoing analysis of the LoanSTAR Program. If Spectrum does not perform an in-depth analysis of the SECO program, SECO is prepared to bring a consultant on board to design a data integration system. We should be able to meet the September 1998 deadline if sufficient information is provided by Spectrum.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>To strengthen the management of LoanSTAR, we will develop methodologies to effectively forecast interest income generated by executed loans, identify appropriate benchmarks for governing the LoanSTAR interest rate, and monitor and evaluate program administrative costs. Management will also examine other successful energy-related loan programs which have been developed in the state. Should be developed and implemented by June 30, 1998.</i></p> <p><i>SECO will be included in the General Services Commission's needs analysis scheduled for completion in May 1998. Since assessment is agency wide, the amount of time allowed to SECO's LoanSTAR Program will be limited. If the scope of the agency's needs analysis is not sufficient in identifying an appropriate information tracking system for the LoanSTAR Program, SECO will issue a complementary Request for Proposals to select a contractor to design an enhanced data integration system for the program.</i></p>	

Agency No. 303  
**General Services Commission**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Contract administration practices do not ensure that the funds are used for the best purposes.	
Recommendation	Status Reported by Agency
SECO should enhance its contract administration practices by better defining criteria for the selection of contractors to ensure that program objectives are met.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Policies and procedures for evaluating proposals solicited through the Texas Register postings have been developed. The procedures identify criteria for:</p> <ul style="list-style-type: none"> <li>• <i>Selecting members of the proposal evaluation committee,</i></li> <li>• <i>Establishing a review and approval process for proposal selection criteria, including assignment of weights,</i></li> <li>• <i>Ensuring that each proposal evaluator receives a thorough orientation on the services requested in the solicitation and the program requesting service, and</i></li> <li>• <i>Establishing a process which will ensure accuracy in compiling evaluation scores.</i></li> </ul>
SECO should improve its contract administration practices by developing a risk assessment process to use in monitoring its contractors to provide the most effective monitoring functions given limited resources.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>SECO's Risk Assessment and Monitoring Procedures have been developed. Staff training in using the risk assessment instrument is scheduled for early July 1998. Models provided by the Criminal Justice Division of the Governor's Office and the Office of the Attorney General proved useful in developing the SECO procedures.</p>
SECO should enhance its contract administration practices by taking corrective actions when problems are identified to ensure accountability with program requirements.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The second section of SECO's Risk Assessment and Monitoring Procedures outlines a process to ensure that program administrators are held accountable for taking steps to resolve contract compliance issues that are identified by SECO monitoring contractors, in a timely manner.</p>
<p><u>Management's Response from Original Report:</u></p> <ul style="list-style-type: none"> <li>• Management will establish a policy and expanded procedures to ensure that contractor selection is improved from the initial selection of the proposal evaluation team through final documentation of contractor selection. Written policy and procedures will be in place by January 30, 1998.</li> <li>• Management agrees that developing an effective risk assessment process for contract monitoring will ensure that major SECO contracts and potentially high-risk contracts are monitored appropriately. SECO will have the risk assessment instrument in place by February 27, 1998.</li> <li>• Management recognizes the need and will develop policies and procedures, along with checklists and forms to document actions taken by February 27, 1998.</li> </ul>	

Agency No. 304  
**Comptroller of Public Accounts**

**A Review of the Integrated Statewide Administrative System**  
 SAO Report No. 98-008, December 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>No agency has initiated partnership opportunities for ISAS. Neither the Comptroller's office nor the Department of Information Resources has investigated the feasibility of or performed a cost-benefit analysis of a service bureau.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Comptroller's Office should facilitate the review and analysis of statewide cost savings available from interagency cooperation such as a central service bureau.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p>
<p><i>Management's Response from Original Report:</i></p> <p>Both the Comptroller and DIR would be willing to help facilitate cooperative agreements between interested agencies to pool their resources and develop a client/server environment in which they share ownership.</p> <p>DIR and the Comptroller would also be willing to help interested agencies develop a contract with a facility management vendor provide services.</p>	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>An agreement between the Comptroller's Office and user agencies has not yet been reached regarding ongoing support of ISAS on computer platforms other than that of the Comptroller's Office.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Comptroller's Office should continue to work with agencies to determine its roles and responsibilities regarding ISAS support.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/1/98</p>
<p>Roles and responsibilities should be clearly documented in the Memo of Understanding between the Comptroller's Office and user agencies.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/1/98</p>

Agency No. 304  
**Comptroller of Public Accounts**

---

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>An agreement between the Comptroller's Office and user agencies has not yet been reached regarding ongoing support of ISAS on computer platforms other than that of the Comptroller's Office.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><u>Management's Response from Original Report:</u></p> <p><i>The Comptroller has reached an agreement with the agencies.</i></p> <p><i>The Comptroller's Office is currently finalizing the Memo of Understanding that will be made available to all agencies interested in licensing the PeopleSoft Financials product by December 10, 1997</i></p>	

Agency No. 304  
**Comptroller of Public Accounts**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
A formal plan to assist in a smooth transition from vendor support of ISAS to maintenance by the Comptroller's Office has not been developed.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Comptroller's Office should document and require sign-off from the vendor on a transition plan. The plan should include: determination of documentation standards, the number of Comptroller staff members needed for maintenance, knowledge and skills needed, training needs, duration of vendor support during the transition, vendor skills needed for transition, and procedure for maintenance staff.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b></p> <p>Verified by Internal Audit on 6/16/98.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Negotiations are currently underway between the Comptroller and the subcontractor for the ISAS modifications. Unresolved issues will be escalated to PeopleSoft, who is the primary contractor. The items recommended by the State Auditor have been included as deliverables for the transition document.</i></p>	

Agency No. 312  
**State Securities Board**

**1998 Small Agency Management Control Audit, State Securities Board**

SAO Report No. 98-035, April 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Formalize administrative procedures	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Formalize the administrative procedures for key areas of operations.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98 The Board has begun to expand its formal procedures.
<i>Management's Response from Original Report:</i>	
The Board has begun to expand the formal procedures and will continue that effort during 1998.	

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improve disaster recovery plan for local area network (LAN).	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Board should enhance its formal disaster recovery plan to comply with guidelines from the Department of Information Resources to ensure that it can operate effectively in case its primary LAN files are destroyed.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98 The Board has prioritized a list of essential functions for the disaster recovery plan.
<i>Management's Response from Original Report:</i>	
The Board has begun to review the disaster recovery plan and will make appropriate adjustments by December 31, 1998.	

Agency No. 312  
**State Securities Board**

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Provide operational information to the governing board on a regular basis	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The governing board members and executive staff identify beneficial operational information that governing board members should be provided on a regular basis. Executive staff should ensure that each governing board member receives it on a timely basis.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98  The Commissioner has formally requested the governing board identify the adequacy and timeliness of operational and financial reports.
<i>Management's Response from Original Report:</i>	
Staff will work with the governing board members to identify any information that the members feel would be beneficial as periodic supplements to the regular exception reports, and responses to specific requests for information that they currently receive.	

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve documentation of the employee selection process	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Document and maintain all aspects of the hiring process, including the job posting, criteria for selection, a list of applicants, a list of applicants interviewed, and the reasons supporting the individual candidate selected.	Status as of 6/30/98: <b>IMPLEMENTED</b>  The Board has revised its policies relating to the documentation of the hiring process.
The Board should verify employee references.	Status as of 6/30/98: <b>IMPLEMENTED</b>  The Board now requires verification of employee references.
<i>Management's Response from Original Report:</i>	
The Board will review the hiring process and make appropriate adjustments by December 31, 1998.	

Agency No. 312  
**State Securities Board**

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Strengthen the performance appraisal system	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The governing board should perform an annual formal performance appraisal of the Commissioner.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>The Governing board conducted a performance appraisal of the Commissioner at its July board meeting.</p>
<p>The Board should develop a performance appraisal form that is objective and has measurable and job-specific performance dimensions. In addition, examples should be provided so that the appraisal process is fair and consistently applied.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>The Board plans to model the formal performance appraisal system upon the form developed for reviewing the Commissioner.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The governing board will review the Board's performance appraisal process and make appropriate adjustments by December 31, 1998.</i></p>	

Agency No. 320  
**Texas Workforce Commission**

**An Audit Report on Performance Measures at 26 State Agencies**

SAO Report No. 97-077, August 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Adequate source documentation was not available for selecting and testing on three key measures:</p> <ul style="list-style-type: none"> <li>• <i>Number of individuals in JOBS program entering employment (formally under Texas Education Commission)</i></li> <li>• <i>Number of children served through child care services: JOBS (under Texas Department of Human Services)</i></li> <li>• <i>Number of children served through child care services for low-income eligible</i></li> </ul>	
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>This is the only measure of the three that remains a Key Measure for TWC in FY 97.</p> </div>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Maintain written procedures concerning the flow of information from the DHS to the final reporting number in ABEST.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b></p> <p>State Auditor's recommendation has been implemented by TWC's Planning staff that report performance measures to ABEST. Measures documentation is being maintained according to standards in the SAO's Guide to Performance Measurement. This process was completed on February 28, 1998.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 1/31/98</p> <p>TWC has moved forward with the State Auditor's recommendations by reorganizing reporting functions within the agency. TWC established a Planning Department within the Budget and Planning Department that oversees reporting performance measures to ABEST. With guidance and assistance from its Internal Audit Department, Planning Department staff have begun building documentation for all TWC measures according to standards set forth in the Guide to Performance Measurement issued by the State Auditor's Office in 1995. This process should be complete by January 31, 1998. In addition to these efforts, TWC has established a Monitoring and Fiscal Services Department within the Finance Division that will assist in verifying compliance with reporting standards through its Program Monitoring Department.</p> <p>Contact: Fran Carr, Internal Auditor</p>
<p>Maintain information on how the calculation was performed.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b></p> <p>Measures calculation worksheets are being maintained in Performance Measure Workbooks maintained by each measure reporting person.</p> <p>Contact: Fran Carr, Internal Auditor</p>
<p>Establish controls over the calculation of the measure.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b></p> <p>TWC's Planning staff has completed a review of calculation methodologies used to calculate all TWC Key Measures.</p> <p>Contact: Fran Carr, Internal Auditor</p>

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Adequate source documentation was not available for selecting and testing on three key measures:</p> <ul style="list-style-type: none"> <li>• <i>Number of individuals in JOBS program entering employment (formally under Texas Education Commission)</i></li> <li>• <i>Number of children served through child care services: JOBS (under Texas Department of Human Services)</i> ←</li> <li>• <i>Number of children served through child care services for low-income eligible</i></li> </ul>	
	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>This is the only measure of the three that remains a Key Measure for TWC in FY 97.</p> </div>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i></p> <p><i>We have already begun developing and implementing procedures and controls for reporting all LBB measures in ABEST, development of guidelines on the method of calculating measures review procedures to determine the accuracy of original data as reported.</i></p>	

Agency No. 320  
**Texas Workforce Commission**

**Texas Workforce Commission - Evaluating the Effectiveness of Internal Audit**  
 SAO Report No. 97-353 , June 1997

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Internal audit function is not effectively assisting management.			
Recommendation	Status Reported by Agency		
Improve compliance with standards, maintain current goals and objectives, and measure the quality of audits.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>		Target Date:
	Internal Audit's goals and objectives have been updated to incorporate the goals and strategies of the Commission. Some performance measures have been developed; however, they are not complete.		
	<u><b>Implementation History</b></u>		
	Status as of 12/31/97: PARTIALLY IMPLEMENTED		Target Date:
	Internal Audit's goals and objectives are being updated in conjunction with the development of the Strategic Plan to reflect the new responsibilities of the Commission. In addition, internal performance measures are being developed for the department.		
Improve follow-up procedures by requiring auditees to commit to time frames for corrective action.	Status as of 6/30/98: <b>IMPLEMENTED</b>		
	New follow-up policy has been adopted which requires auditees to provide a time frame for corrective action. It also requires timely follow-up by internal audit.		
	<u><b>Implementation History</b></u>		
	Status as of 12/31/97: PARTIALLY IMPLEMENTED		Target Date: 2/98
	Internal Audit is in the process of revising its Internal Audit Manual, which includes procedures for evaluating management's responses to audit findings. These procedures will include a requirement that all auditees commit to a reasonable time period for implementing corrective action. All projects that include procedures to follow-up on prior audit findings will commence within six months of the prior audit findings report date. This will ensure a more timely assessment of the status of outstanding implementation plans.		
	Status reports to the Commissioners and Executive management will include the original date and current status of pending recommendations. These communications will provide Commission leadership with the information necessary to ensure that prior audit findings are addressed and risk to the commission is minimized.		

Agency No. 320  
**Texas Workforce Commission**

---

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Internal audit function is not effectively assisting management.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<i>Management's Response from Original Report:</i>		
<ul style="list-style-type: none"><li>• (12/96-1/97) - Panel report on changes to audit methods and systems.</li><li>• (1/97-2/97) - Develop implementation plan</li><li>• (2/97) - Have SAO review plan</li><li>• (3/97) - Integrate SAO's comments into plan</li><li>• (4/97) - Have Commission approve plan and I/A implement it.</li></ul>		

Agency No. 320  
**Texas Workforce Commission**

**Limited Program Effectiveness Audit of the Texas Workforce Commission's  
Communities in Schools Program**

SAO Report No. 98-310, December 1997

Finding 1:	Overall Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>
<p>Program Effectiveness Performance Measures over the Communities in Schools Program are not accurate and reliable.</p>	
Recommendation	Status Reported by Agency
<p>Implement regular testing of data accuracy by comparing source documentation against data entered into the CISCMS database</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>An "Information Technology Acquisition Request" was submitted to Information Resources Planning and Procurement to procure external software developers. This request stated that an experienced lead programmer would be needed by February 23, 1998 and another programmer would be needed by March 1, 1998 to complete the project on schedule. On March 20, 1998, TWC awarded a contract to an external software developer to develop the new CISCMS application. The external developers began work on the project on March 24, 1998.</p> <p>According to TWC Application, Development, and Maintenance (AD&amp;M) staff, the cost of the project is not to exceed \$118,450.00.</p> <p>An initial assessment of data elements needed for the new CISCMS application has been developed. Per CIS State Office personnel, this is an ongoing process coinciding with the development of the new CISCMS application.</p>
<p>Simplify service codes to capture information that is useful to the state office or necessary for national and state reports</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p>Develop monthly reports for the internal measures at the state level including separate reports for each local CIS provider</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p>Communicate the results of performance measure reports to upper management and all local CIS providers</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b></p>
<p>Provide training to local CIS entities on the proper coding of the student intake forms</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
-------------------	--

Program Effectiveness Performance Measures over the Communities in Schools Program are not accurate and reliable.

<b>Recommendation</b>	<b>Status Reported by Agency</b>
Review controls over and verify performance information during local CIS monitoring visits	Status as of 6/30/98: <b>IMPLEMENTED</b>
Develop, document, and implement a disaster recovery plan	Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date: 7/30/98 Will address at the appropriate time

Management's Response from Original Report:

*Management concurs. The CIS State Office hired a qualified CISCMS Specialist to manage and coordinate data associated with CIS performance measures. The following CISCMS actions planned for implementation during FY 1998 should address the accuracy of data issue.*

*Develop a new CISCMS application to better capture program data.*

*Determine the data needed to assure accurate and reliable performance measurement.*

*Revise the data collection forms and the CISCMS codes to conform to the CIS service model. Will provide more complete, accurate and consistent data to the State Office.*

*Develop Quality Assurance Reports for the CIS State Office to send to the local programs for corrective action.*

*Develop Quality Assurance Reports for the CIS Local Office to correct problematic data before submission to the State Office.*

*Develop a process to insure local programs timely submit data to the State Office. Assess appropriateness of deadlines and determine causes of restrictions in the flow of information to provide means for improvement.*

*Develop a year-end evaluation report for the 1996-1997 program year.*

*Update the CISCMS Users Manual to reflect changes to the CISCMS codes and forms.*

*Implement training of local CIS program staff on the use of the new CISCMS forms, code revisions and application.*

*Develop a disaster recovery program for CISCMS data stored at the State Office.*

*Develop standardized reporting formats to be distributed to the local CIS programs.*

*Develop an efficient archival and retrieval data warehousing process for program data.*

*The CISCMS Specialist will develop a Technical Support Management System.*

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Performance measures reported to the Legislative Budget Board (LBB) are not accurate and reliable.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should ensure the performance measure data reported to the LBB is complete, accurate, and reliable. Since the CISCMS database is the source for the results reported to the LBB for the CIS program, the recommendations for the program effectiveness performance measures apply to all LBB measures.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>The actions noted for the first finding will resolve the accuracy issue with the data reported to the LBB.</p>
<i><u>Management's Response from Original Report:</u></i>	
<p><i>Problems with the accuracy of the data were related to the problem discussed above. The plan above will resolve the accuracy issue with the data reported to the LBB.</i></p>	

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Performance Measure Definition regarding the administrative cost per CIS participant to include the administrative costs of the local CIS providers is not updated.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should work with the LBB to update the definition for the performance measure regarding administrative cost per CIS participant to include the administrative costs of the local CIS providers</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The Director of Planning has submitted the proposed changes to the LBB. According to the Director of Planning, the LBB has given tentative approval to the requested changes. Final approval is still pending.</p>
<i><u>Management's Response from Original Report:</u></i>	
<p><i>The CIS State Office has proposed changes to the measure, which have been reviewed and approved by the Quality Assurance Department. The Director for Planning will convey these proposed changes to the LBB for its consideration.</i></p>	

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission does not ensure CIS Expenditures are paid on time with funds from the correct fiscal year .	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Commission should ensure CIS expenditures are paid in a timely manner using funds from the correct fiscal year.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<u>Management's Response from Original Report:</u>	
<p><i>The Accounting Department will improve communication of policies regarding timing of payments and funding sources with accounting staff. Noncompliance with these procedures will not be allowed.</i></p> <p><i>The CIS State Coordinator has implemented a procedure which ensures upon receipt of an invoice for goods or services, an F-7 payment document will be prepared within 3-5 working days and forwarded along with other required supportive documentation to TWC's accounts payable section for processing.</i></p>	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Accounting records for 1996 expenditures could not be located.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Commission should review existing processes and procedures for maintaining accounting records and implement the necessary changes to ensure accounting records are maintained properly in the future.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<u>Management's Response from Original Report:</u>	
<p><i>The Accounting Department records indicate that the unlocated documents were all archived at the State Library. Accounting has added additional review procedures to ensure that every archive listing is complete and accurate prior to the Library's collection. Accounting will also work with the State Library to ensure that TWC records requests are returned complete and filed correctly by the Library.</i></p> <p><i>The CIS State Coordinator will maintain copies of supporting documentation for all goods or services received.</i></p>	

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Reimbursements to the Travel Advance Fund are not made in a timely manner.	
Recommendation	Status Reported by Agency
The Commission should review current policies and procedures over the travel advance fund to determine why existing procedures do not work. In addition, the Commission should develop and implement new travel advance fund procedures and monitor to ensure employees reimburse the travel advance fund in a timely manner.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<u>Management's Response from Original Report:</u>  <i>TWC will explore eliminating the travel advance policy. Alternative methods will be explored to assist employees with travel expenses, such as direct billing and increased use of corporate credit cards.</i>  <i>In the interim, we will strengthen our advance collection procedures to decrease our receivable time. We have currently collected four of the six past due accounts and have an agreement with the two individuals, who no longer work at the Commission, for payment.</i>	

Agency No. 320  
Texas Workforce Commission

Finding 7:		Overall Status as of 6/30/98: IMPLEMENTED
Asset management controls are not adequate.		
Recommendation	Status Reported by Agency	
<p>The Commission should develop, document, implement, and enforce policies and procedures that provide for the following:</p> <ul style="list-style-type: none"> <li>• <i>Compliance with the State Property Accountability Policies and Procedures</i></li> <li>• <i>Strict internal controls written authorization should be required for all receipts, issuances, transfers, and withdrawals of fixed assets</i></li> <li>• <i>Training for all employees on the accountability of property</i></li> <li>• <i>Communication of the policies and procedures to all employees within the Commission</i></li> <li>• <i>Policies and procedures that are carried out as intended and corrective actions that are taken when needed</i></li> <li>• <i>Periodic review of the established policies and procedures to determine whether they are still applicable and necessary</i></li> </ul>	<p>Status as of 6/30/98: IMPLEMENTED</p>	

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Asset management controls are not adequate.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p><i>TWC's Property Management Division has been rewriting the Commission's Property Management Policies and Procedures. The Administration Division is in the process of strengthening asset management controls. We plan to create a separate unit dedicated to asset management. This unit will be led by a manager who will have the authority and responsibility for developing and implementing a strong asset management function.</i></p> <p><i>The CIS State Coordinator has scheduled a meeting with TWC's Property Management Division to discuss specific requirements, procedures, controls and responsibilities for maintaining assets at the cost-center level. The CIS State Office will initiate steps to implement these policies and procedures immediately.</i></p>	

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
1997 Annual CIS Program Reviews were not performed as required.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should develop monitoring processes to provide assurance that local CIS providers are accomplishing the goals of the CIS program efficiently and effectively and that state and federal funds are spent appropriately.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p>Annual program reviews of local CIS providers should be performed as required by the Commission's CIS monitoring procedures, or the Commission should modify the requirement to conform to the risk-based approach for identifying entities for review.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
1997 Annual CIS Program Reviews were not performed as required.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p><i>CIS staff were not able to perform an annual review of each of the CIS local providers due to staff turnover and budget constraints. On September 1, 1997, program-monitoring responsibilities were transferred to the Commission's Monitoring Department.</i></p> <p><i>The Monitoring Department has developed and implemented a risk assessment methodology for all programs administered by the Commission, including CIS. This assessment helps identify those programs, contractors, and program-areas that present the highest risk to the Commission. Our monitoring efforts will be focused on these high-risk areas, programs, and contractors. An annual monitoring plan is prepared to ensure that the entities/areas of highest risk are monitored frequently, thus ensuring fiscal and programmatic accountability.</i></p> <p><i>The current CIS policy is being modified to conform to the risk based approach being used by the Monitoring Department. The CIS State Office will continue to provide program evaluation and technical assistance to local CIS providers using a risk and needs assessment of all 22 local CIS programs.</i></p> <p><i>The CIS State Coordinator will meet regularly with the Commission's Monitoring Department on a regular basis to share and exchange information and findings of local CIS programs. The meetings will focus on providing assurances that local CIS programs are in compliance with contractual agreements; the programs are operating efficiently and effectively; and state and federal funds are spent appropriately.</i></p>	

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
1997 CIS Medicaid Reviews were not performed as required.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should comply with the Medicaid Monitoring and Oversight Plan with the Health and Human Services Commission that requires the Commission to ensure that all sub-recipients receiving federal Medicaid funds are reviewed each year as required by the plan.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
1997 CIS Medicaid Reviews were not performed as required.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<u>Management's Response from Original Report:</u>	
<p><i>CIS staff were not able to perform an annual review of each of the CIS local providers due to staff turnover and budget constraints. On September 1, 1997, program monitoring responsibilities were transferred to the Commission's Monitoring Department.</i></p> <p><i>The Monitoring Department will comply with the agreement made with the Health and Human Services Commission that requires the review of all sub-recipients receiving federal Medicaid funds. The Monitoring Department will conduct these reviews each year to comply with the program plan.</i></p>	

<b>Finding 10:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Local CIS Providers have not submitted corrective action plans for fiscal monitoring reviews.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should ensure all local CIS providers comply with fiscal monitoring policies and procedures for submitting corrective action plans for findings noted during fiscal monitoring reviews.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<u>Management's Response from Original Report:</u>	
<p><i>Two of the three entities identified have submitted corrective action plans to the Commission. These plans were not submitted within the 30 days currently required by our procedures. We are reviewing our procedures to determine the most effective way to provide oversight and ensure corrective action has taken place.</i></p> <p><i>The two entities that have submitted their action plans have taken steps to resolve the issues noted during our site reviews.</i></p>	

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Local CIS Providers did not comply with State Reporting Requirements for fiscal year 1997	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should ensure all local CIS providers comply with state and federal reporting requirements for A-133 audits. Additionally, the Commission should develop enforcement policies and procedures and sanctions for noncompliance with state and federal guidelines.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The Commission does have a process for ensuring all local CIS providers comply with state and federal reporting requirements for A-133 audits. The Monitoring Department tracks each provider's compliance with the A-133 audit requirements. Providers who have not complied with the applicable requirements are routinely notified to encourage their compliance. The sanction policy being developed by the Commission includes appropriate levels of enforcement actions for these types of contract violations.</i></p> <p><i>There were two CIS providers that were granted extensions on their audit reports. We received the audit report for one of these entities on October 15, 1997, and are currently reviewing its contents. The second provider has engaged a CPA to conduct the audit, and the CPA has assured us that we will receive the audit no later than January 31, 1998.</i></p>	

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 12:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission does not ensure CIS goals link to their strategies, actions link to their goals, and performance measures identify whether or not goals are being accomplished.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Finalize the CIS Operational Action Plan</p> <p>The CIS state office should also consider using the long-range plans being developed by the local CIS providers to develop a statewide long-range plan for the CIS program.</p> <p>In addition, a system should be established to periodically review and revise these plans to ensure that objectives are met and that program activities are addressing mandated requirements.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The CIS State Office completed a detailed draft action plan and has received comments and suggestions from TWC management for improving presentation of the document. The CIS State Coordinator is currently making changes and updates to the action plan.</i></p>	

<b>Finding 13:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission does not comply with the Labor Code for developing rules for the implementation of the Memorandum of Understanding between the Commission and the Texas Education Agency.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Finalize Commission Rules for CIS Program. Comply with the Labor Code for developing rules for the implementation of the Memorandum of Understanding between the Commission and the Texas Education Agency.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The Commissioners responded to staff questions regarding the CIS rules during the December 2, 1997, hearing. CIS Rules are on the agenda for action December 16, 1997.</i></p>	

Agency No. 320  
**Texas Workforce Commission**

<b>Finding 14:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The current funding formula to include the financial resources of local CIS providers as required by the Labor Code has not been updated.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Update the CIS Funding Formula	Status as of 6/30/98: <b>IMPLEMENTED</b>
<p><i>Management's Response from Original Report:</i></p> <p>Accounting is assisting in writing the Funding Formula to be included in the Rules above.</p>	

<b>Finding 15:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission does not provide training necessary to operate the Communities in Schools Case Management System (CISCMS) for all specialists and backups at both the local CIS providers and the state office.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure CIS Specialists Receive Training	Status as of 6/30/98: <b>IMPLEMENTED</b>
<p><i>Management's Response from Original Report:</i></p> <p>The CIS State Office completed its first-round training of all CISCMS Specialists and backups in April 1997. In addition, the CIS State Office followed up with a second-round of training for CISCMS Specialists and backups on October 29, 1997. The CIS state Office currently has a trained CISCMS Specialist and a backup. The CIS State Office will maintain evidence of all training activities performed for local CIS programs by keeping training rosters and/or sign-in sheets of participants who are trained.</p>	



Agency No. 325  
**Firefighters' Pension Commissioner**

**An Audit Report on Management Controls at the Office of the Firefighters' Pension Commissioner**

SAO Report No. 98-003, October 1997

<p><b>Finding 6:</b></p>	<p><b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b></p>
<p><i>The Commission has failed to provide basic oversight and control of commission investment activities.</i></p>	
Recommendation	Status Reported by Agency
<p>The Commission should develop a monitoring system to evaluate controls over and assess the risk inherent in Commission operations. Controls over investment operations should be monitored closely since this is the Commission's major function. Serious deficiencies should be reported to the Board.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>In Progress – (This recommendation is tied to recommendation #2 and Action Plan #12 – Recommendation #2) - At their quarterly Board meeting on June 26, 1998, the Board of Trustees adopted a policy to evaluate the performance of contractors to the Statewide Fund. Commissioner and staff are currently developing a comprehensive monitoring checklist from the Services to be Provided sections of each service provider's contract to evaluate contract compliance and monitor level of services being provided to the entire Agency. Additional monitoring systems will be developed in accordance with recommendations and guidelines from SAO Publication No. 97-075, <i>Assessing Risk in Key Accountability Control Systems</i> (July 1997) and the report of the <i>Committee of Sponsoring Organizations of the Treadway Commission</i>.</p> <p>The most inherent risk to Commission operations continues to be the lack of personnel to establish control environment goals, perform risk assessment, identify control activities, complete an implementation plan, and perform the monitoring function. Lack of personnel also prohibits the effective cross-training of key personnel for key functions of Agency operations. The Commissioner and Board will continue to proceed with efforts to exceed the FTE cap and hire the personnel necessary to relieve this inherent risk in Commission operations.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: <b>PLANNED/NO ACTION TAKEN</b>      Target Date: 3/10/98</p> <p>The most inherent risk in Commission operations at this point is lack of personnel for the available workload and the fact that the Agency and investment accounting for the Fund is not performed by Agency personnel. The present workload prohibits effective cross training and efficiency of operations. A person working in the capacity of a Staff Services Officer would allow for a full-time back up to the Program Administrator for the Statewide Fund. Past practice has been that only one person has performed these two functions. An Investment Officer/Accountant could more closely monitor the investment operations of the Fund and a full-time accountant would improve efficiency in accounting and security issues for the Agency. The Commissioner will make a request to the LBB on an emergency basis to exceed the FTE cap and hire the personnel needed to relieve this inherent risk in Commission operations.</p> <p>Contact: Morris Sandefer, Commissioner</p>

Agency No. 325  
**Firefighters' Pension Commissioner**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
<i>The Commission has failed to provide basic oversight and control of commission investment activities.</i>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<i>Management's Response from Original Report:</i>		
<i>The Commissioner will make a report to the Board on whether future controls are necessary.</i>		
<p>The accountant should have the ability to view on-line, the accounts at the custodian.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>Effective 6-30-98, the Commission has internet connectivity through the Department of Licensing and Regulation's T-1 router. The Agency address is <a href="mailto:ffpc.state.tx.us">ffpc.state.tx.us</a>, for example, <a href="mailto:morris.sandefer@ffpc.state.tx.us">morris.sandefer@ffpc.state.tx.us</a>. Also, the Board of Trustees voted at their meeting on June 25 – 26, 1998, to hire State Street Bank as the Master Trust Custodian for the Statewide Fund. State Street will furnish the Fund a copy of their on-line data availability software In-Sight, and furnish the necessary training to enable FFPC staff to readily access information related to the Statewide Fund in the areas of Accounting, Custody, Recordkeeping, and other Value Added Services.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 2/15/98</p> <p>The Agency is in negotiations with Licensing and Regulations to connect to their T-1 router for Internet connectivity. We are currently waiting on the installation of Firewall software (Proxy Server 2.0) for system security.</p> <p>Contact: Morris Sandefer, Commissioner</p>	
<i>Management's Response from Original Report:</i>		
<i>The issue of having the ability to view on-line the accounts at the Custodian has been researched and will be discussed again.</i>		

Agency No. 325  
**Firefighters' Pension Commissioner**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Board failed to provide adequate governance and oversight for Commission activities.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Board members should ensure compliance with the Board's ethics policy in all aspects of their duties. If necessary, additional procedures should be developed and appropriate corrective or disciplinary actions should be taken.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/30/98</p> <p>The Trustee Handbook has been completed and issued to the Board Members at their April 23 - 24 Board Meeting. The Handbook contains all contracts, policies, procedures, latest actuarial valuation, annual report, strategic plan, etc. This includes a copy of the ethics policy adopted by the Board. The Board will review/revise the ethics policy at their September Board meeting to include language containing appropriate corrective action and/or disciplinary action for infractions of the ethics policy and references to 6243e.3 outlining the procedure for removal of Board Members from the Board.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 3/1/98</p> <p>A Trustee Handbook is being developed for the Board Members that will include, among other things, a copy of the Ethics Policy. The Handbook and Policy will be reviewed/revise at a meeting annually. Article 6243e.3 Section 20(j) lists the grounds for removal of a member from the State Board of Trustees.</p> <p>Contact: Morris Sandefer, Commissioner</p>
<i>Management's Response from Original Report:</i>	
The Board members have been reminded of the ethics policy and will discuss the policy at a future meeting.	

Agency No. 325  
**Firefighters' Pension Commissioner**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Board failed to provide adequate governance and oversight for Commission activities.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Board should establish a formal process with written criteria to evaluate the performance of all contract providers. This would include the Investment Consultant's performance evaluation of the money managers and independent performance evaluations of the investment consultant, the custodian, and the actuary.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      <b>Target Date: 9/30/98</b></p> <p>At their quarterly Board meeting on June 26, 1998, the Board of Trustees adopted the following Policy: <i>Staff will monitor services provided by contractors as invoices covering those services are submitted to the Office for payment. Payment may be withheld if services have not been performed in accordance with the terms of the contract. Staff will provide a report to the Board annually (or more often if necessary) concerning each contractor's performance in meeting its contractual obligations during the prior year. The Board will review the report provided by staff, work product provided by the contractor under the contract, and any other documentation relevant to evaluating whether the contractor has performed in accordance with the contract. If the Board determines the contractor is not meeting its contractual obligations, appropriate action will be taken, up to and including termination of the contract for nonperformance.</i></p> <p>Commissioner and staff are currently developing a comprehensive monitoring checklist from the <i>Services to be Provided</i> sections of each service provider's contract to evaluate contract compliance and monitor level of services being provided. As stated in Action Plan 6 - Recommendation #1: written criteria is being developed by the Commissioner and staff in accordance with recommendations and guidelines from SAO Publication No. 97-075, <i>Assessing Risk in Key Accountability Control Systems</i>, July 1997, and the report of the <i>Committee of Sponsoring Organizations of the Treadway Commission</i>.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      <b>Target Date: 6/1/98</b></p> <p>The Board presently has in place a formal policy to review investment managers in the Master Statement of Objectives. However, this policy will be reviewed/revised upon the selection of a new Consultant. A policy to review performance of the other professionals employed by the Board is under development.</p>
<b><u>Management's Response from Original Report:</u></b>	
The Commissioner will make a recommendation to the Board on whether to implement more formal review criteria.	

Agency No. 325  
**Firefighters' Pension Commissioner**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Board failed to provide adequate governance and oversight for Commission activities.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Board should establish a policy to decide how the Commission should handle unexpected changes with providers of contract services.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 4/24/98</b></p> <p>The Board of Trustees at their quarterly meeting on April 23 – 24, 1998, voted to adopt a policy to serve as a guideline for the Board and Staff in the handling of unexpected changes to service contracts and in responding to unexpected terminations of service by contracted service providers.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED                      Target Date: 3/1/98</p> <p>The Board is working with the Commissioner and the Assistant Attorney General to develop a policy to handle unexpected changes with providers of contract services.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The Commission will establish written policy on how to handle unexpected changes with providers of contracted services.</i></p>	

Agency No. 325  
**Firefighters' Pension Commissioner**

<b>Finding 12:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission does not ensure compliance with state law requiring the transfer of uninvested cash to the State Treasury.	
Recommendation	Status Reported by Agency
All uninvested cash balances should be transferred back into the State Treasury.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      <b>Target Date: 9/1/98</b></p> <p>The Board of Trustees voted at their meeting on June 25 - 26, 1998 to hire State Street Bank as the Master Trust Custodian for the Statewide Fund. Attached is a proposed implementation scheduled and expected timeline of events as outlined in a letter to Ken Welch, Manager of Fund Accounting in the Office of the Comptroller. The target date for conversion to the new Custodian is September 1, 1998.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: <b>PLANNED/NO ACTION TAKEN</b>      <b>Target Date: 6/30/98</b></p> <p>At the December 4, 1997, Board meeting, the Board discussed with the representatives of the Comptroller's Office the fact that they intended to issue a RFP for a Custodian after hiring the new Consultant. The Comptroller's Office stated that they would work with the Commissioner and the board to implement a policy to transfer all invested cash balances, dividends and interest back to the State Treasury after the Custodian is hired.</p> <p>Contact: Morris Sandefer, Commissioner</p>
<i>Management's Response from Original Report:</i>	
<i>The Board voted to maintain Money Market Accounts at the Custodian.</i>	

Agency No. 327  
**Employees Retirement System of Texas**

**An Audit Report on Management Controls at the Employees Retirement System of Texas**

SAO Report No. 98-024 , February 1998

Finding 1-A:		Overall Status as of 6/30/98: NO ACTION TAKEN
The System should improve its processes used to receive, track, and analyze complaints.		
Recommendation	Status Reported by Agency	
Adopt a written, agency-wide definition of complaint. Consider using the definition for HMO complaints contained in Senate Bill 385, tailored as necessary to meet the System's specific needs.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 7/1/98 Definition of a complaint has been drafted but not yet approved.
Require all departments that receive or process complaints to adopt written procedures for complaint documentation and processing.	Status as of 6/30/98: <b>NO ACTION TAKEN</b>	Target Date: 10/1/98 Target date for preparing and adopting is 10/1/98, implementation will depend on I/S support availability.
Develop a consistent format for complaint logs and ensure that the logs include all information useful for performance and trend analysis.	Status as of 6/30/98: <b>NO ACTION TAKEN</b>	Target Date: 10/31/98 Will start development soon.
Perform periodic reconciliations of complaints to ensure that all complaints received have been resolved or continue to be tracked.	Status as of 6/30/98: <b>NO ACTION TAKEN</b>	Target Date: 10/31/98 Will begin soon.
Periodically perform formal trend analyses of complaints to identify problems with vendors or with benefit plan design or administration.	Status as of 6/30/98: <b>NO ACTION TAKEN</b>	Target Date: 2/28/99 Will begin a quarterly review to be sent to Benefit Contracts area.
Consider expanding the number of complaint categories to assist in more precise trend analysis.	Status as of 6/30/98: <b>NO ACTION TAKEN</b>	Target Date: 10/31/98 Plan to begin by 10/31/98. Contact: Cathy Flautt, Customer Service

Agency No. 327  
**Employees Retirement System of Texas**

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: NO ACTION TAKEN</b>
The System should improve its processes used to receive, track, and analyze complaints.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i>            The ERS agrees that an agency-wide definition of complaint may be useful in improving customer service efficiency. Written procedures will be established for adoption which consistently document complaints in all program areas. A complaint tracking system will be established for performance and trend analysis as well as for analyzing complaint categories.</p>	

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The System should increase its use of customer satisfaction surveys to include coverage of all membership classes and benefit program participants.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop and conduct satisfaction surveys of the System's active members concerning all aspects of the System's benefit programs and service delivery.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/99  Currently examining cost of outside assistance for inclusion in FY99 budget. Have discussed refining current survey, using incident survey and using IVR survey. Can't promise survey will cover all aspects.  Contact: Cathy Flautt, Customer Service
Develop and conduct surveys of participants in all health care programs, including the required survey of HealthSelect plan participants.	Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date: None Yet  Discussion is currently taking place between the Benefits Contracts area and the Customer Services area to determine best approach.  Contact: Cathy Flautt, Customer Service
Consider periodically surveying health care providers concerning their satisfaction with plan design and individual vendors.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 10/1/98  ERS is currently putting together the health care programs for FY99. By 10/1/98 they will render an opinion as to whether this recommendation is a good thing to do.  Contact: Cathy Flautt and Dan Stewart, Customer Service
<p><i>Management's Response from Original Report:</i>            The ERS agrees. The Agency will look at the cost effectiveness of possible improvements.</p>	

Agency No. 327  
**Employees Retirement System of Texas**

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: NO ACTION TAKEN</b>
The System should improve the efficiency and effectiveness of its process to survey retirees.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Survey recipients should be selected using statistical sampling methods. All plan participants should be included in the population to be sampled, regardless of membership categories or length of time since retirement.	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b> <span style="float: right;">Target Date: 12/31/98</span></p> <p>This recommendation will require rewriting ERS performance measures and requesting I/S support.</p> <p>Contact: Cathy Flautt, Customer Service</p>
Expand the number of questions on the existing survey; refine the questions to provide more specific feedback on which processes are or are not working well; and tabulate responses to all survey questions	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 12/31/98</span></p> <p>ERS is planning to do this.</p>
The surveys should be performed less frequently, for example on an annual basis.	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b> <span style="float: right;">Target Date: 12/31/98</span></p> <p>This recommendation will require rewriting ERS performance measures.</p> <p>Contact: Cathy Flautt, Customer Service</p>
<i>Management's Response from Original Report:</i>	
<i>The ERS agrees to consider the recommendation. They will look at the cost effectiveness of possible improvements.</i>	

Agency No. 327  
**Employees Retirement System of Texas**

<b>Finding 1-D:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improvements are needed in the monitoring of telephone call wait times and compliance with System time limits.	
Recommendation	Status Reported by Agency
We recommend that the System improve monitoring related to customer satisfaction by improving information on telephone call wait times and capturing information on complaints not consistently processed within expected time frames.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 07/01/98</p> <p>A Call Center Analyst currently looks at all reports that are generated from the ERS phone system. These include wait times, calls abandoned, etc. He is developing reports to be distributed.</p> <p>Contact: Cathy Flautt, Customer Service</p>
<i>Management's Response from Original Report:</i>	
The ERS agrees with the recommendation to reduce telephone call wait time. The ERS has undertaken a complete reorganization of its customer service call centers. In January 1998, the ERS will establish a centralized customer service call center in the Benefits Communication Division. This new center will provide telephone customer service support for all program divisions.	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
We noted instances in which the System's contractor oversight procedures did not detect or correct vendor noncompliance with HMO contracts.	
Recommendation	Status Reported by Agency
Routinely use information submitted by HMOs in their annual applications to confirm insolvency, professional liability, or reinsurance coverage on file and to check for compliance with grievance notifications.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: N/A</p> <p>ERS has chosen to use TDI certification as the most reliable source of information. ERS staff has attended a TDI solvency training event and been successful in getting a capital infusion in one or two cases where the HMO did not meet solvency criteria.</p>
Consider directly confirming with the stated insurance carriers the existence of coverage for insolvency, professional liability, and reinsurance.	<p>Status as of 6/30/98: <b>OTHER</b>      Target Date: N/A</p> <p>ERS works directly with TDI, the regulator, rather than the individual carriers. TDI rules and statutes cover insurance and solvency.</p>

Agency No. 327  
**Employees Retirement System of Texas**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
We noted instances in which the System's contractor oversight procedures did not detect or correct vendor noncompliance with HMO contracts.	
Recommendation	Status Reported by Agency
Require that the physician termination notice categorize the reasons for termination and ensure that the required 45-day advance notice is provided for terminations without cause.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98  ERS is currently reviewing inclusion of this function in the RFP for a third party administrator to begin in Fiscal Year 1999.
The scope of external audits of HMOs could be expanded to include verification of several compliance issues either in place of or in addition to the System's recommended procedures.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/1/98  We are expanding the scope of our HMO audits.  Contact: Jim Sarver, Benefit Contracts
<i>Management's Response from Original Report:</i>	
<ul style="list-style-type: none"> <li>• Will examine the feasibility of a letter of agreement with the Texas Department of Insurance (TDI) which would allow for additional information to be provided by the TDI to the ERS on HMO financial and compliance matters.</li> </ul> <p><i>In their bid proposals and applications, the HMOs will be required to confirm that they are in compliance with all applicable TDI requirements. The ERS will request written confirmation from TDI of the HMOs' compliance during the bidding and application reviews. The ERS will ensure that HMO files are properly maintained.</i></p> <p><i>The ERS is unable to comply with this recommendation. The reasons for termination of a provider's contract are considered confidential and proprietary; however, in accordance with the Patient Protection Act, providers cannot be terminated without due process. The 45-day advance notice is not always enforceable, since HMOs and providers may have 30-day agreements; therefore, ERS will consider eliminating this provision from the agreement.</i></p> <p><i>The ERS agrees to consider expanding the scope of its HMO audits.</i></p>	

Agency No. 327  
**Employees Retirement System of Texas**

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
---------------------	--

The System did not fully comply with the provisions of the Texas Employee Uniform Group Insurance Benefits Act relating to computation of the statutory minimum estimated fund balance reserve and to reinsurance requirements for coverage provided by outside carriers.

<b>Recommendation</b>	<b>Status Reported by Agency</b>	
The System should compute and report the insurance fund's minimum fund balance reserve requirement using only the expected level of self-insured claims.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 9/1/99  ERS plans to work with interim legislative committees to clarify legislative intent of computing minimum level of reserve fund.
The System should mandate reinsurance policies for purchased coverages and should approve carriers eligible to provide reinsurance.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 9/1/99  ERS plans to work with interim legislative committees to clarify legislative intent of reinsurance provision.  Contact: William Nail, Deputy Executive Director

Management's Response from Original Report:

*Computation of insurance fund minimum balance:*

*The ERS disagrees with the State Auditor's interpretation of this provision of the Act.*

*ERS plans to work with interim legislative committees to clarify legislative intent of computing minimum level of reserve fund.*

*Reinsurance policies:*

*ERS does not believe that the auditor has properly interpreted statutory requirements for reinsurance of group insurance coverage.*

*ERS plans to work with interim legislative committees to clarify legislative intent of reinsurance provision.*

Agency No. 327  
**Employees Retirement System of Texas**

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The system has no procedures to demonstrate whether one of the stated purposes of the Texas Employees Uniform Group Insurance Act has been achieved.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The System should begin periodically performing comparative studies to determine whether the State's life, accident, and health benefit coverages compare favorably with those provided by private industry. The System may want to first discuss with legislators the criteria to be used in making that determination.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/99</p> <p>ERS is currently in discussions with the actuary regarding comparable coverages and reviewing available data.</p> <p>Contact: Jim Sarver, Benefit Contracts</p>
<p><i>Management's Response from Original Report:</i></p> <p><i>Although the ERS agrees that there is no formal procedure to compare coverages, the ERS relies on the expertise of an independent actuarial consulting firm that has many clients in both the public and private sectors. Also, surveys and data collected from membership organizations and national consulting firms are reviewed. It is ERS' position that, overall, UGIP benefits compare quite favorably with the private sector. However, ERS will review this statutory requirement with the Legislature to determine their intent.</i></p>	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The System can improve the effectiveness of some of its monitoring activities by obtaining additional information from the Texas Department of Insurance.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The System should coordinate with the Texas Department of Insurance to develop procedures for the timely sharing of insurance-related complaints from System customers.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 6/10/98</p> <p>ERS has had numerous meetings with TDI to work on joint issues. We have already begun notifying TDI directly of all HMO complaints that we receive.</p>

Agency No. 327  
**Employees Retirement System of Texas**

**Finding 4:**

**Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED**

The System can improve the effectiveness of some of its monitoring activities by obtaining additional information from the Texas Department of Insurance.

Recommendation	Status Reported by Agency
<p>The System should expand the annual HMO information request to TDI to add questions concerning: disclosure of any "Management Conferences" TDI requested of HMOs; sufficiency of reserves; and results of recent TDI compliance audits.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date: 2/28/99</p> <p>ERS intends to do this in the next HMO selection cycle.</p>
<p>The System should negotiate with the Texas Department of Insurance to accept similar information requests periodically throughout the plan year. In addition, the System should follow up with the Texas Department of Insurance concerning any requested information that was not provided to ensure that the omitted response was not due to an oversight.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date: 2/28/98</p> <p>ERS intends to do this.</p>
<p>The System should clearly request that the Texas Department of Insurance certify the actuarial soundness of all carrier bids and of self-insured programs' contribution rates. It may also be necessary to coordinate with the Texas Department of Insurance concerning the timing of the information submitted by the System and the Texas Department of Insurance's subsequent performance of the certifications.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> Target Date: 6/3/98</p> <p>ERS has begun doing this.</p>

Agency No. 327  
**Employees Retirement System of Texas**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The System can improve the effectiveness of some of its monitoring activities by obtaining additional information from the Texas Department of Insurance.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The System should request that the Texas Department of Insurance provide, in a form and timeframe acceptable to both agencies, the required feedback to the System's report on coverages and benefits.</p>	<p>Status as of 6/30/98: <b>OTHER</b></p> <p>ERS plans to do this as coverages are due to be bid.</p> <p>Contact: Jim Sarver, Benefit Contracts</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Employee Retirement System Management's Response:</i></p> <p><i>The ERS agrees that improvement may be possible in exchanging information on complaints.</i></p> <p><i>The ERS agrees.</i></p> <p><i>The ERS agrees. However, TDI does have certain statutory restrictions on releasing certain information.</i></p> <p><i>The ERS agrees. However, the current requirement presents logistical problems for both ERS and TDI. ERS plans to work with interim legislative committees to remove this requirement.</i></p> <p><i>The ERS agrees.</i></p> <p><i>Texas Department of Insurance Management's Response:</i></p> <p><i>TDI concurs with this recommendation.</i></p> <p><i>To the extent permitted by law, TDI will provide any additional information that will assist ERS in securing coverage through well managed, financially sound carriers and HMOs.</i></p> <p><i>TDI will provide current information on contracting carriers to the extent it is permitted by law to share this information.</i></p> <p><i>If ERS does request a full certification of actuarial soundness, it will be necessary for TDI to become involved in the process much earlier than our receipt of ERS' formal request.</i></p> <p><i>TDI believes that a response to this report may not be useful because the report merely reflects what has already happened. TDI agrees with the Auditor's findings that TDI provide coverage recommendations and believes it would best serve state employees and fulfill the intent of the legislature to have an opportunity, as set forth in Art. 3.50-2§5, to offer feedback on the trustee's proposed coverage decisions and make recommendations before the trustee puts the coverages out for bid.</i></p>	

Agency No. 332  
**Department of Housing and Community Affairs**

**A Letter Report on Management Controls at the Texas Department of Housing and Community Affairs**

SAO Report No. 98-037, June 1998

<b>Finding 1-A:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
<p>The Department does not ensure that delays in committing and expending funds awarded to the Texas State Affordable Housing Corporation are minimized.</p>			
Recommendation	Status Reported by Agency		
<p>Improve management of Department funds awarded by addressing organizational and operational issues involving the Texas State Affordable Housing Corporation</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>The recommendations relating to organizational issues have been partially implemented. The Department does not transfer any funds to support the administration of the Corporation in any way. The Department has eliminated the sharing of employees with TSAHC. Management of TSAHC overlaps with the management of the Department only at the President level, as mandated by the new legislation. The Department is fully compensated, based upon best estimates of costs, for services provided by the Department to the Corporation. TSAHC has served notice on the Department that the Administrative Services Agreement under which the services are provided will terminate not later than August 31, 1998.</p> <p>The recommendations relating to operational issues have been implemented. The Department requires the Texas State Affordable Housing Corporation to meet all the program rules and other federal requirements as any other subrecipient. TSAHC is required, to the same extent as any other subrecipient, to submit complete application packages. Additionally, award agreements with TSAHC require specific information to monitor its performance such as task to be performed, schedules for completing the tasks, and budgets.</p> <p>Management reiterates its position that the commitment and expenditure of funds by TSAHC under the HOME program was never in jeopardy and that no delays not common to the program itself were being experienced. HUD, by letter dated June 10, 1998, is satisfied that all issues in its original report dated January 30, 1998 have been or are being resolved.</p> <p>Contact: Daisy Stiner, Deputy Executive Director</p>		
<p><u>Management's Response from Original Report:</u></p> <p><i>The Department has made the necessary improvements in its processes to award and administer federal funds to TSAHC. Additionally, TSAHC is in the process of implementing systems to better manage awards received from the Department. Recent legislation passed by the 75th Legislature has provided a reasonable basis for establishing a separate and distinct control structure for TSAHC and for taking these actions. Management from both the Department and TSAHC are in the process of developing plans that address all provisions of the legislation. Staff from each entity has been assigned responsibility to implement their respective plans. T.D. fiscal year-end 1998. A separate and distinct control structure is now in effect for TSAHC since it now has a separate governing board and is in the process of fully staffing its operations. With the exception of the office of president, no officers and employees of TSAHC share employment with the Department. TSAHC has been, and is, considered and treated as any other subrecipient of the Department.</i></p>			

Agency No. 332  
**Department of Housing and Community Affairs**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Department does not enforce policies and procedures on award processes for the Housing Trust Fund.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Department needs to ensure policies and procedures affecting the award processes are implemented and enforced.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> <span style="float: right;">Target Date: 8/31/98</span></p> <p>The Department has implemented the recommendations relating to implementing and enforcing policies and procedures affecting the Housing Trust Fund award process.</p> <p>The standard operating procedures of the Housing Trust Fund has been enhanced and formally adopted.</p> <p>The Department has procedures to ensure that the Board makes award decisions based upon complete information relating to proposed projects' funding sources. The Department identifies and describes all funding sources and the funding history for all proposed projects. This information is included in the Credit Underwriting Summary that is presented to the Board with project proposals. Additionally, information relating to proposals whereby the Board's approval will require a waiver of an existing program rule is currently required in the related Board books. This practice has been formalized in the Department's Standard Operating Procedures.</p> <p>Contact: Daisy Stiner, Deputy Executive Director</p>
<i>Management's Response from Original Report:</i>	
<p><i>The Housing Trust Fund operates under standard operating procedures, which have been implemented by management though they have not been formally adopted. The standard operating procedures will be formally adopted during the current fiscal year. The Department will enhance its standard operating procedure to describe in greater detail a clearly defined methodology used for the awards process and the procedures for developing a Notice of Funds Availability (NOFA), which will include documentation standards. The procedures will attempt to standardize the time allotted for, and the provision of, notice, as well as the periods for response to NOFAs, once issued</i></p>	

Agency No. 335  
**Commission for the Deaf and Hard of Hearing**

**1998 Small Agency Management Control Audit**

SAO Report No. 98-035, April 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>While reconciliations are reportedly performed at least quarterly, the Commission has not documented these actions or developed procedures to reconcile internal records to records at the Commission for the Blind (TCB).</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop procedures to reconcile its internal records to records of the Commission for the Blind(TCB).</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b>            Procedures have been developed using input from TCB. These procedure are attached.            Contact: Margaret Susman, Michael Pugh (TCB)</p>
<p><i>Management's Response from Original Report:</i></p> <p>TCB will perform reconciliations for the Commission under the administrative support services contract. The Commission will work with TCB in the development of procedures for this task. Procedures will be developed by June 1, 1998.</p>	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission plans to create a template for a quarterly program operation report for statistical information. This template will assist the Commission in evaluating and analyzing operational information on an ongoing basis.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop an understanding of its information needs and evaluate and analyze operational information on an ongoing basis.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b>            A template for statistical information has been developed and will be sent to Commissioners in the agency's quarterly report.            Contact: Margaret Susman</p>
<p><i>Management's Response from Original Report:</i></p> <p>A template will be agreed upon during the next Commission meeting that is scheduled for May 29, 1998.</p>	

**Commission for the Deaf and Hard of Hearing**

<b>Finding 3:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>After the template described above is developed, reports will be provided to Commissioners on a quarterly basis. For the January 1998 Commissioners' meeting, the Commission prepared spreadsheets on certain contractor programs for fiscal year 1997.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Provide complete, accurate, and timely information to the Commissioners and management so that they can provide effective oversight of the Commission.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Quarterly reports, which will include the statistical template will be sent to Commissioners containing information from the quarter that ended at least 30 days prior to the date the report is sent to Commissioners and staff.</p> <p>Contact: Margaret Susman</p>	
<p><u>Management's Response from Original Report:</u></p> <p><i>The Commission will send quarterly reports before each Commission meeting. The reports will contain information from the quarter that ended at least 30 days prior to the date the report is sent to Commissioners and staff.</i></p>		

Agency No. 344  
**Commission on Human Rights**

**1997 Small Agency Management Control Audit**  
 SAO Report No. 97-086, August 1997

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Controls over cash receipts are weak.	
Recommendation	Status Reported by Agency
Reassign job responsibilities to ensure proper segregation of duties for cash receipts	Status as of 6/30/98: <b>IMPLEMENTED</b> as of 8/29/97  Fiscal policy and procedures revised
Revise Administrative Directives to ensure all current procedures are reflected and that detailed procedures for handling cash are documented.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Administrative Directive No. 63 revised
Reconcile all deposit vouchers against the Money Receipt Register to ensure all checks to be deposited are deposited within the three-day requirement.	Status as of 6/30/98: <b>IMPLEMENTED</b>  By Director of Enforcement
Log out settlement checks on the Money Receipt Register when the checks are mailed to the claimant; the Money Receipt Register should also be reviewed on a regular basis to confirm all checks are properly handled.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;"><b>Target Date: 8/1/98</b></span>  By Director of Enforcement  The agency has implemented all recommendations with the exception of developing a settlement check log and procedures to be kept in TCHR safe. Currently, all agency checks are handled pursuant revised Administrative Directive No. 63. However, maintaining settlement checks until distribution requires additional log and procedures. Agency plans to complete development of procedures and initiate action by 8/1/98 by Director of Enforcement  Contact: Josephina Delgado Segura, Director of Administration and Special Projects

Agency No. 344  
**Commission on Human Rights**

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Controls over cash receipts are weak.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p>The Commission currently has procedures and instruments in place; however, revisions are required to ensure segregation of duties and enhancements of internal controls. Since the last audit during Fiscal Year 1991, the Commission converted from a manual accounting system to the automated Uniform Statewide Accounting System (USAS). This automated conversion changed accounting procedures where the Commission needs to formally document this change in updating its forms, re-assignment of duties, and its Administrative Directives as a matter of policy. The Commission's reconciliation of cash transaction responsibilities will be adopted by the Director of Administration and Special Projects, who shall perform a weekly review and verify the Money Receipt Register against the deposit. The Money Receipt Register shall also be revised to accommodate this action for a quick comprehensive view in status of deposits. Administrative Directives shall be updated prior to end of the current fiscal year. The Director of Enforcement shall ensure that all settlement checks are properly handled. The Commission shall initiate a log and procedures upon the receipt of settlement checks held in the Commission's safe. The Director of Enforcement shall ensure that all settlement checks are logged out when mailed/received by the claimant. The Money Receipt Register Log shall also be revised to accommodate verification by the Director of Enforcement upon performing a weekly review of status of settlement checks.</p>	

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission is not effectively conserving travel funds by maximizing economy and efficiency.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should ensure that travel expenditures for Commissioners, the Executive Director, and employees traveling on actual expenses with the Executive Director are prudent. All attempts should be made to ensure that expenditures are made in accordance with applicable state travel guidelines.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 11/26/97</p> <p>(a) The Commission has adopted a policy limiting reimbursement for "actual travel" expenses coverage by passing, adopting, and implementing Administrative Directive No. 133 on 11/26/97.</p> <p>(b) Also, the agency has developed travel procedures and documentation on travel voucher with the statement of "The expenses reflected in this travel voucher utilize, when applicable, state-contracted airfare and/or car rental rates. Acquired lodging is either at state-contracted rates, reduced negotiated rates for conferences, seminar, etc., or minimal rates for location of overnight stay." Implemented on 9/1/97</p> <p>Contact: Josephina Delgado Segura, Director of Administration and Special Projects</p>
<i>Management's Response from Original Report:</i>	
<p>The Commission shall clearly document on travel vouchers that it has demonstrated maximum economy and efficiency in expending travel funds for all employees and Commissioners authorized by statute to receive actual travel expenses. Such documentation should include but not be limited to the following: (1) utilize airline carriers and rental cars when necessary that are on state contracts at reduced rates; (2) maximize reimbursements to the Commission to recover in part or in whole travel cost for both in state and out of state trips; and (3) utilize conference rates or government rates at hotels. Several of these strategies are currently in use but have not been adequately documented on travel vouchers.</p>	

Agency No. 344  
**Commission on Human Rights**

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Several Inconsistencies were noted on controls over fixed assets.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure that the entry of inventory items onto SPA be performed by someone other than the person who also receives the items.	Status as of 6/30/98: <b>IMPLEMENTED as of 8/29/97</b> Policy and procedures revised and initiated.
Record inventory items on the SPA system when acquired and initiate a formal process to reconcile the general ledger to the inventory balances on a monthly basis.	Status as of 6/30/98: <b>IMPLEMENTED as of 6/30/97</b> Policy and procedures developed, initiated, and implemented.
Ensure that all inventory items have a permanently affixed property tag stating that they are property owned by the State of Texas as required by SPA guidelines.	Status as of 6/30/98: <b>IMPLEMENTED as of 9/17/97</b> Tags purchased and affixed on 9/17/97.  Contact: Josephina Delgado Segura, Director of Administration and Special Projects
<i>Management's Response from Original Report:</i>	
<p><i>The Commission will ensure that the separation of duties in fixed assets does occur. A second person shall receive and sign for items purchased by the Commission. Recorded inventory will also be signed by a second person and reconciled to the general ledger on a monthly and yearly basis. The Director of Administration and Special Projects shall ensure reconciliation the first week of every month for the prior month and by September 30 for the end of the previous fiscal year with appropriate signatures. Inventory items not recorded on SPA or tagged because the Commission is/was awaiting acknowledgment of deletion from a transferring agency. The Commission does track all appropriate inventory on SPA. It shall also purchase permanently affixed tags for all inventory stating "Property owned by the State of Texas" and properly affixed on all property by the end of this fiscal year.</i></p>	

Agency No. 344  
**Commission on Human Rights**

<b>Finding 1-D:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission does not segregate responsibilities for entry and release functions in the Uniform Statewide Accounting System (USAS).	
Recommendation	Status Reported by Agency
Review and separate the entry and release functions that update the statewide accounting systems.	<p>Status as of 6/30/98: <b>OTHER</b></p> <p>The Commission initiated internal documentation for preliminary and final transactions acknowledging management's review and authorization to "enter and release" by same person. Pursuant letter by State Comptroller dated 9/4/97 and copy forwarded to State Auditors, no agency with fewer than 50 FTEs has fully separated transaction "enter and release" capabilities as of 9/15/97.</p>
Alternate compensating controls such as management's review and approval. The review should include a comparison of source documents to the information entered in USAS, and there should be documentation evidencing the review and approval process.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 7/25/97</b></p> <p>Documentation and certification of management review and approval initiated on 7/25/97.</p> <p>Contact: Josephina Delgado Segura, Director of Administration and Special Projects</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The Commission does have alternate compensatory controls of the review and approval of transactions; however, documentation of verification of such review is needed. The Director of Administrative and Special Projects shall document by comparing source documents to the USAS transaction. Documentation shall be evidenced on internal financial reports currently in place. Verification by the Director of Administration and Special Projects shall be maintained in the accountant's office.</i></p>	

<b>Finding 1-E:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission does not have a policy in place to increase the use of HUBs and is not in compliance with Government Code, Section 2161.	
Recommendation	Status Reported by Agency
Improve documentation identifying non-certified HUB vendors as minority or woman owned businesses.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 7/23/97</b></p> <p>Developed internal documentation.</p>

Agency No. 344  
**Commission on Human Rights**

<b>Finding 1-E:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission does not have a policy in place to increase the use of HUBs and is not in compliance with Government Code, Section 2161.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Establish an action plan for increasing HUB utilization. In addition, the Commission should ensure that the goal for HUB utilization is reasonable and supportable.	Status as of 6/30/98: <b>IMPLEMENTED</b> as of 7/25/97  Agency developed HUB plan, approved by Executive Director and implemented as Administrative Directive No. 130 on 7/25/97.
Comply with Government Code, Sections 2161.122 and 2161.183 by maintaining monthly information relating to the use of HUBs and calculating the expected awards of HUBs by the 60th day of the fiscal year.	Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/21/97  (a) Agency maintains HUB and minority vendor information on all purchases and/or awards using internal documentation as of 7/23/97. (b) Annual expected purchases and awards for FY 98 estimated by 60th day 12/1/97. Completed on 10/21/97.  Contact: Josephina Delgado Segura, Director of Administration and Special Projects
<i>Management's Response from Original Report:</i>	
The Commission shall comply with the Government Code 2161 in maintaining documentation and annual estimate of HUB contracts. The Commission maintains specific documentation on all vendors; however, existing documents shall be revised to include verification by vendor of HUB status, in addition to certification by the General Services Commission. The Commission shall maintain this vendor information on a monthly basis and shall estimate the agency's annual expected awards by the 60th day of each fiscal year. The Commission shall develop an action plan detailing procedures for achieving its goal as identified, and in support of the agency's strategic plan. This documentation shall be maintained in the purchaser's office.	

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission has not developed or implemented adequate control procedures to ensure compliance with the Fair Labor Standards Act (FLSA).	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Periodically review the duties and responsibilities of all positions to determine the appropriate FLSA exempt or nonexempt status.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98  Agency personnel conducting Position Review(s) for Revising Performance Evaluations and FLSA status.

Agency No. 344  
**Commission on Human Rights**

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Commission has not developed or implemented adequate control procedures to ensure compliance with the Fair Labor Standards Act (FLSA).</p>	
Recommendation	Status Reported by Agency
<p>Maintain documentation to support the determinations, including the basis of FLSA exempt determinations (Executive, Administrative, and Professional).</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>Agency Plan:</p> <ul style="list-style-type: none"> <li>• All TCHR Personnel received Position Questionnaire for desk review on 1/20/98.</li> <li>• Human Resources office recommending FLSA status on 8/1/98.</li> </ul> <p>Contact: Josephina Delgado Segura, Director of Administration and Special Projects</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The Commission with the assistance of the State Auditor's Office, Classified Division shall review duties and responsibilities of all positions as required by the U.S. Department of Labor for appropriate FLSA status. This review shall be initiated by the Human Resources Specialist and coordinated annually under the supervision of the Director of Administration and Special Projects completed by August 31 of each fiscal year, in accordance with the State Classification Plan. All documentation shall be maintained by the Human Resources office.</i></p>	

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The rating scales for some of the Commission's personnel evaluations (specifically for administrative support staff and Commission management) are not clearly defined.</p>	
Recommendation	Status Reported by Agency
<p>We recommend that the Commission revise its performance evaluation policies and procedures to include quantified justification for ratings. When quantification of tasks is not possible, we recommend that ratings on evaluations be consistently supported by specific comments.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>Agency Plan:</p> <ul style="list-style-type: none"> <li>• Executive Director and Human Resources met for revising Performance Evaluations on 12/97.</li> <li>• Human Resources conducted position audit reviews from 1/20/98-2/28/98.</li> <li>• Human Resources prepared preliminary draft of revised performance evaluation on 3/98.</li> <li>• Human Resources, Director of Administration and Executive Director met from 3/98-6/98 to determine format, structure, and content for each position.</li> <li>• Human Resources has prepared various drafts for each position from 3/98-6/98.</li> <li>• Final decision for approval by Executive Director on 8/98.</li> </ul> <p>Contact: William M. Hale, Executive Director</p>

Agency No. 344  
**Commission on Human Rights**

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The rating scales for some of the Commission's personnel evaluations (specifically for administrative support staff and Commission management) are not clearly defined.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i></p> <p><i>The Commission agrees that evaluation standards for all employees should be objective, job-related and quantifiable. Although many of the Commission's employees are evaluated based on performance evaluation forms incorporating the above referenced standards, the Commission will adjust all performance evaluation forms to reflect these standards. Many of the performance evaluation ratings are supported by working documents that are developed and discussed with employees during the evaluation process. However, the Commission will insure that all performance evaluation ratings are substantiated by specific documentation which constitutes the basis for rating employees' performance.</i></p>	

<b>Finding 2-C:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Commission does not have a process in place for assessing and prioritizing training needs, nor does the Commission document all training taken by its employees in the individual employee personnel files.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>We recommend that the Commission document all training courses attended both internally and externally by its employees and develop a process for assessing the training needs of all of its employees.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>(a) Agency has developed and implemented employee and agency documentation as of 9/1/97.</p> <p>(b) Employee training assessment is included in the revision of Performance Evaluations currently in progress.</p> <p>Contact: William M. Hale, Executive Director</p>

Agency No. 344  
**Commission on Human Rights**

<b>Finding 2-D:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Controls over human resources are weak.		
Recommendation	Status Reported by Agency	
<p>Revise formal appeal procedures in the Personnel Manual to cover all personnel-related issues. The manual should also include ADA policy and complaint procedures as well as a clear definition of the process for handling sexual harassment complaints that include time lines for resolution. Additionally, the ADA procedures should contain the name of the ADA coordinator, the time frame for filing a complaint, the list of components needed in the complaint resolution procedure (including documented time frames for resolution), and a statement of non-retaliation.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/9/97</p> <p>Agency staff has developed and revised personnel manual, adopted by the Commission on 10/9/97, incorporating audit recommendations to include statement of Human Resources as Agency Disabilities Coordinator.</p>	
<p>Monitor employee grievances to ensure that trends in issues affecting Commission employees are identified, and track disciplinary actions on an annual basis to ensure that discipline imposed is commensurate with that of similar cases.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Agency Human Resources office has developed, initiated and maintains agency grievance tracking log.</p> <p>Contact: William M. Hale, Executive Director</p>	
<p><u>Management's Response from Original Report:</u></p> <p><i>The Commission has an appeal process in lieu of a grievance process. The section of the Commission's personnel manual covering the appeal process will be adjusted in accordance with informal discussion between the Executive Director and the Auditors to encompass a broader range of personnel transactions. The Commission shall establish time lines for implementing its sexual harassment and ADA policy and complaints procedures. In addition, the Commission shall maintain an appropriately documented log for all formal appeals and resolutions of formal complaints as well as the personnel related issues raised by the employee in such appeals or complaints. There is no statutory or court interpreted requirement that an employer's personnel manual include a policy with respect to employees with a disability. However, as a matter of good practice such a policy should be included in the Commission's personnel manual. The Commission's Human Resources Specialist already functions as the coordinator for the Commission's employees with disabilities. This responsibility shall be reflected in an Administrative Directive.</i></p>		

Agency No. 344  
**Commission on Human Rights**

<b>Finding 2-E:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Some employee personnel files do not contain updated information on personnel actions.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the Commission ensure that personnel files contain formal documentation of all personnel actions.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Directors of Administration and Human Resources met in Jan. 1998 for updating documentation of personnel actions and to conduct an internal inventory review:</p> <ul style="list-style-type: none"> <li>• <i>Identified and revised employee personnel file categories 1/98</i></li> <li>• <i>Reviewed for compliance of Article IX and State Laws 1/98</i></li> <li>• <i>Updated personnel file checklist 2/98</i></li> </ul> <p>Contact: Josephine Delgado Segura, Director of Administration and Special Projects</p>
<u>Management's Response from Original Report:</u>	
<p><i>Personnel files shall contain all appropriate documents for personnel actions. To ensure completeness, an annual review shall be conducted of the agency's personnel file inventory on the sixth month of each fiscal year by the Human Resources Specialist and approved by the Director of Administration and Special Projects.</i></p>	

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission has not developed a formal disaster recovery plan for its automation system that complies with Department of Information Resources (DIR) guidelines.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the Commission develop and implement a formal disaster recovery plan that complies with DIR guidelines to ensure that it can operate effectively in case its primary files are destroyed. This plan should address the storage of the backups at an off-site location.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 10/28/97</b></p> <p>Agency Information Resources Staff with the assistance of DIR developed a draft Disaster Recovery Plan 9/1/97. A final agency plan was approved by Executive Director on 10/25/97. Copies were forwarded to DIR, State Auditor and Key Agency staff for implementation. The Draft Recovery Plan is to be reviewed annually by Information Resources staff in August of each year.</p> <p>Contact: Josephina Delgado Segura, Director of Administration and Special Projects</p>
<u>Management's Response from Original Report:</u>	
<p><i>The Commission currently has two plans with the Department of Information Resources. Both the strategic and the operating plan are current, approved and filed in accordance to DIR guidelines. The strategic plan does have a brief statement for disaster recovery; however, the Commission does need a formal, more detailed plan with procedures. The Commission shall prepare with the assistance of the State Comptroller, State Auditor's Office &amp; DIR, a Disaster Recovery Plan by the end of this current fiscal year.</i></p>	

Agency No. 362  
**Texas Lottery Commission**

**An Audit Report on Management Controls at the Texas Lottery Commission**  
 SAO Report No. 97-092, August 1997

<b>Finding 1-A-3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission should exercise due diligence in obtaining Lottery Operator financial data.	
Recommendation	Status Reported by Agency
<p>Move forward with proposed financial audit of Lottery Operator.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 5/98</p> <p>Verified by Internal Audit.</p> <p>Accounting firm has verified that FY 93 through FY 97 cost reports tie to the lottery operator's audited financial statements.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: <span style="float: right;">Target Date: 2/98</span></p> <p>An accounting firm was engaged to help perform the financial audit of the Lottery Operator in 8/97 and audit field work began soon after.</p> <p>Contact: Linda Cloud, Executive Director</p>
<p>Perform supplemental audit work annually until Commission determines and obtains financial information it needs in the Lottery Operator's cost reports to allow Commission to make informed management decisions.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 7/98</span></p> <p>Accounting firm is in the process of developing a cost report format and identifying type(s) of information that will be beneficial for management decision-making purposes.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 2/98</span></p> <p>In 8/97, the Lottery Operator provided cost reports from 1993 through 1997.</p> <p>Contact: Linda Cloud, Executive Director</p>
<p><u>Management's Response from Original Report:</u></p> <p>Will enhance language in operator RFP to obtain sufficient cost reports to meet the needs of the Commission.</p>	

Agency No. 362  
**Texas Lottery Commission**

<b>Finding 1-A-4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission should maintain adequate contract monitoring controls.	
Recommendation	Status Reported by Agency
<p>Review key contracts, identify key compliance areas, and ensure adequate procedures to monitor and enforce contract terms.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 7/98</span></p> <p>A database for key contracts has been developed by the contract compliance coordinator. Monitoring divisions are in process of assigning employees to evaluate compliance with contract terms.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <span style="float: right;">Target Date: 7/98</span></p> <p>The contract compliance issues have been identified for the current lottery operator contract. Other key contracts are under review. The Contract Compliance Coordinator will establish a database to monitor and help management enforce contract terms.</p> <p>Contact: Bart Sanchez, Financial Administration</p>
<p><i>Management's Response from Original Report:</i></p> <ul style="list-style-type: none"> <li>• Contract compliance has been centralized.</li> <li>• Full-time position created to monitor contract compliance.</li> <li>• Agency acquired contract management system.</li> </ul>	

Agency No. 362  
**Texas Lottery Commission**

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Maintain training data in more effective manner.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 8/99</span></p> <p>Under review by Internal Audit.</p> <p>Newly hired Information Technology Director recommends developing the Human Resources' training data base in-house using Access software. The I.T. Division is currently faced with more critical I.T. priorities including business resumption planning, I.T. division personnel turnover, and the legislative mandate to be Year 2000 compliant by 12/31/98. Therefore, this database may not be developed until FY 99.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <span style="float: right;">Target Date: 5/98</span></p> <p>A training data base is being considered by management.</p> <p>Contact: Linda Cloud, Executive Director</p>
<p><i>Management's Response from Original Report:</i></p> <p>Human Resources is obtaining a new computerized system to manage a variety of tasks including training records.</p>	

Agency No. 362  
**Texas Lottery Commission**

<b>Finding 3-C-1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Certain Lottery promotions and advertising did not comply with state law.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure advertising and promotional contracts comply with Lottery Act.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/98</span></p> <p>Legal reviews all contracts. Legal is still waiting for the opinion from the Texas Attorney General and target date reflects this.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/98</span></p> <p>75th Legislature clarified statutory language. Attorney General Opinion sent 12/97.</p> <p>Advertising and promotional contracts are reviewed by Legal to ensure compliance with the Lottery Act. Waiting for an Attorney General Opinion with regards to promotional events held near where alcoholic beverages are being sold.</p> <p>Contact: Kim Kiplin, General Counsel</p>
Create compliance checklist for each contract.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 7/98</span></p> <p>The Commission is developing a checklist that will be reviewed by counsel to ensure that all contracts are in compliance with the Lottery Act and anticipates meeting the 7/98 deadline.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 7/98</span></p> <p>Compliance checklist is being developed for the Lottery Operator. Key contracts are also under review.</p> <p>Contact: Kim Kiplin, General Counsel</p>
<b><u>Management's Response from Original Report:</u></b>	
<ul style="list-style-type: none"> <li>• House Bill 1445, 75th Legislature, authorized tickets to be sold at a race track.</li> <li>• Will seek clarification from appropriate regulatory sources regarding proximity of lottery locations to locations where alcoholic beverages are sold.</li> </ul>	

Agency No. 362  
**Texas Lottery Commission**

<b>Finding 3-C-2:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
The Commission should develop certain key policies and procedures.	
Recommendation	Status Reported by Agency
Develop comprehensive policies and procedures that document important functions, policies, processes, and steps needed to complete tasks necessary to Commission operations.	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b>      Target Date: 12/98</p> <p>The Commission will try its best to meet the target deadline of 12/98. However, additional time may be necessary due to high turnover by division directors since this last report.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 12/98</p> <p>Executive Director has mandated that all divisional procedures be finalized before the division directors are eligible for a merit increase at their next annual evaluation.</p> <p>Contact: Linda Cloud, Executive Director</p>
	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b>      Target Date: 12/98</p> <p>The Commission will try its best to meet the target deadline of 12/98. However, additional time may be necessary due to high turnover by division directors since this last report.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 12/98</p> <p>See Executive Director's mandate above.</p> <p>Contact: Linda Cloud, Executive Director</p>
Finalize draft procedures.	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b>      Target Date: 12/98</p> <p>The Commission will try its best to meet the target deadline of 12/98. However, additional time may be necessary due to high turnover by division directors since this last report.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 12/98</p> <p>See Executive Director's mandate above.</p> <p>Contact: Linda Cloud, Executive Director</p>
<p><b><u>Management's Response from Original Report:</u></b></p> <ul style="list-style-type: none"> <li>• Commission adopted certain HR policies in 2/97. Others will be presented to Commission.</li> <li>• Procedures are in place to prevent paying claims on stolen winning tickets Enhancements were made in 2/97 and 6/97 regarding instant ticket promotions.</li> </ul>	

Agency No. 362  
**Texas Lottery Commission**

<b>Finding 4-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission should be prepared to perform lottery services in-house	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop and periodically update contingency plan which would allow quick and efficient conversion to in-house lottery, in event it is in State's best interest to do so.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/99</p> <p>Currently, the Commission can only develop a contingency plan from the lottery operator contract because this vendor is required under contract to provide operational cost reports to the Commission. The Commission will proceed with developing a contingency plan from the lottery operator's cost reports. It would be difficult for management to develop contingency plans on other vendors' operating costs because this type of information is not required under our current contracts. SAO's request for Commission vendors to provide the Commission with the vendors' operating costs and staffing requirements and to enhance future contracts with additional performance measures will have to be built into future RFPs in order for management to develop contingency plans.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 8/99</p> <p>Management is closely reviewing all services currently being performed by vendors to determine whether it is in the best interest of the State to perform these services in house.</p> <p>Contact: Linda Cloud, Executive Director</p>
<p>Ensure staff maintains in-depth understanding of vendor operations.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/98</p> <p>A database for key contracts has been developed by the contract compliance coordinator. Monitoring divisions are in process of assigning employees to evaluate compliance with contract terms.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 7/98</p> <p>A formal contract compliance unit was established to track and monitor contract compliance. A new lottery operator RFP was issued requiring further monitoring and reporting criteria from vendor operations.</p> <p>Contact: Linda Cloud, Executive Director</p>
<p><b><u>Management's Response from Original Report:</u></b></p> <ul style="list-style-type: none"> <li>• In 2/97, Commissioners decided to review feasibility or non-feasibility, pros and cons, of state operating the lottery.</li> <li>• 75th Legislature added rider to Commission's bill pattern in Appropriations Act, House Bill 1, through an enumerated process to obtain additional financial and FTE resources.</li> <li>• Management intends to develop a contingency plan based on continuing information development processes.</li> </ul>	

**Agency No. 362  
Texas Lottery Commission**

<b>Finding 4-C:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission should ensure that lottery services provided by private companies are subject to public scrutiny.</p>		
Recommendation	Status Reported by Agency	
<p>Develop guidelines for vendors specifying the types of information subject to disclosure.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 6/98</b></p> <p>The Commission has implemented a certification process with current key contracts (specifically the advertising, instant ticket, and lottery operator) so that the vendors are to make disclosures to the Commission regarding prohibited gifts, loans or political contributions, where such items subject to disclosure to the Commission have been identified under current contracts.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED    Target Date: 7/98</p> <p>We have developed a lottery operations and services RFP and will add this language to future contracts, where applicable.</p> <p>Contact: Kim Kiplin, General Counsel</p>	
<p>incorporate guidelines into key contracts.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 6/98</b></p> <p>The Commission has implemented a certification process with current key contracts, specifically the advertising, instant ticket, and lottery operator, so that the vendors are to make disclosures to the Commission regarding prohibited gifts, loans or political contributions, where such items subject to disclosure to the Commission have been identified under current contracts.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED    Target Date: 7/98</p> <p>We have developed a lottery operations and services RFP and will add this language to future contracts, where applicable.</p> <p>Contact: Kim Kiplin, General Counsel</p>	
<p><i>Management's Response from Original Report:</i></p> <ul style="list-style-type: none"> <li>• For contracts with vendors who have a significant financial interest in the lottery, such provisions are being included.</li> <li>• Will continue to enhance and enforce disclosure requirements.</li> </ul>		

Agency No. 362  
**Texas Lottery Commission**

<b>Finding 5-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Management's accounting treatment of the Prize Reserve Fund should be changed.	
Recommendation	Status Reported by Agency
<p>Commission should account for the Prize Reserve Fund as restricted fund equity.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/98</p> <p>Financial Administration is awaiting for written confirmation from the GASB (new target date reflects additional time needed to hear from GASB.)</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 5/98</p> <p>GASB spokes person has given verbal confirmation of Commission's current accounting treatment of Prize Reserve Fund. Independent CPA firm is awaiting written confirmation from GASB.</p> <p>Contact: Bart Sanchez , Financial Administration</p>
<i>Management's Response from Original Report:</i>	
<ul style="list-style-type: none"> <li>• Preliminary research indicates this is not Lottery industry practice to account for Prize Reserve Fund as recommended by SAO.</li> <li>• Will continue to seek clarification with GASB on this issue.</li> <li>• If no reconsideration from GASB, will make necessary adjustments.</li> </ul>	

Agency No. 362  
**Texas Lottery Commission**

**A Follow-Up Letter to Management Controls at the Texas Lottery Commission**

SAO Report No. 97-093, August 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Weaknesses in the data management process resulted in certain case files not being tracked effectively.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Two Divisions should use same type of tracking system.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 2/00 Newly hired Information Technology Director is reviewing the user requirements for this project.  <u>Implementation History</u> Status as of 12/31/97: PARTIALLY IMPLEMENTED Target Date: 2/00 A new case tracking system for Security Division which will tie to Legal's new case tracking system is being designed.  Contact: Mike Pitcock, Security Director
	Process for assigning case numbers in tracking system.  Human Resources is obtaining a new computerized system to manage a variety of tasks including training records.
<u>Management's Response from Original Report:</u>	
<ul style="list-style-type: none"> <li>• Implemented procedures to address all recommendations between Legal and Security.</li> <li>• Legal has PC-database to track cases.</li> <li>• In process of implementing new legal case management computer system.</li> </ul>	

Agency No. 403  
**Veterans Commission**

**1997 Small Agency Management Control Audit**

SAO Report No. 97-086, August 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The U.S. Department of Veteran Affairs (VA) does not require veterans to routinely submit receipts when filing claims for reimbursements of medical expenses.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>We recommend that the Commission develop and implement ways to strengthen controls over the medical reimbursement system. For example, the Commission could ask to review paid receipts from the veterans it assists with medical claims. We encourage the Commission to contact other states' veterans' commissions to determine the types of controls that other states have established over medical reimbursements.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The Commission has implemented a procedure to provide Veterans Counselors guidance in counseling claimants reporting medical expenses. Receipts are requested from the claimant. The claimant signs a form, which explains reporting responsibility. The form and procedure were developed from information received from another state.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Commission employees who assist in filing claims are scheduled for training on a continuing basis, which includes instruction on the proper filing of claims for reimbursement of medical expenses. Claimants must also sign a VA form attesting that the information being provided is correct to the best of their knowledge. Commission employees emphasize this to claimants and review receipts when provided by the claimant. The Commission will continue to explore appropriate ways to help in this matter taking into consideration its available resources and scope of authority.</i></p>	

**Agency No. 403  
Veterans Commission**

<b>Finding 2-A:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Inconsistencies were noted on Human Resources policy management.		
Recommendation	Status Reported by Agency	
Develop specific criteria and a rating scale for the evaluation of the executive director. In addition, the Board should perform a formal annual evaluation of the executive director.	Status as of 6/30/98: <b>IMPLEMENTED</b> The Commission will evaluate the Executive Director on a yearly basis.	
Expand performance appraisal system to provide a clear delineation between ratings and develop examples to support each rating.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98 New performance appraisal forms are being designed with examples supporting the rating.	
Improve the documentation maintained in personnel files to justify pay actions.	Status as of 6/30/98: <b>IMPLEMENTED</b> The Commission has implemented a more structured promotion process for clerical personnel, which clearly justifies promotion decisions.	
<i>Management's Response from Original Report:</i>		
<p><i>There is no such thing as a perfect evaluation system; however, the Commission has worked diligently over the years to improve its system and will continue to do so in the future.</i></p> <p><i>The Commission Board will consider formalizing its present system of providing feedback to and evaluating the Executive Director by adding an annual performance evaluation.</i></p> <p><i>The clerical personnel mentioned in the audit met the necessary criteria for promotion established by the Commission. Even though there was written documentation in the files, the Commission will review the documentation to see how it can be improved.</i></p>		

Agency No. 403  
**Veterans Commission**

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission does not require written receipts before preparing purchase vouchers.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the Commission consistently use the receipt report to help ensure compliance with its policy.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>TVC has strengthened the procedure by creating a form for receipt of supplies. The strengthened procedure is working well.</p>
<i>Management's Response from Original Report:</i>	
<p><i>The Commission agreed with the State Auditor that verbal confirmation that goods and services had been received was not sufficient. It is Commission policy to require written confirmation that goods and services had been received. On a few occasions, in the interest of prompt payment of vendors, vouchers had been prepared after only verbal confirmation had been received. For this reason, the Commission created the <u>Equipment and/or Supply Receipt Report</u> to strengthen the Commission policy. Although there are no incidents to the Commission paying for goods and services that were not received, the Commission concurs that the use of the strengthened documentation procedures facilitates better control.</i></p>	

Agency No. 405  
**Department of Public Safety**

**A Legislative Information Review of the Texas Department of Public Safety**  
 SAO Report No. 97-087, August 1997

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Weaknesses in evaluation, selecting and training employees may adversely limit overall employee effectiveness.	
Recommendation	Status Reported by Agency
<p>Revise aspects of HR policies, specifically:</p> <ul style="list-style-type: none"> <li>• Formal written annual evaluations for management</li> <li>• Document direct appointment hires/promotions</li> <li>• Comply with reference check policy</li> <li>• Retain important documents in centralized database</li> </ul>	<ul style="list-style-type: none"> <li>• Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  A policy change has been implemented and all DPS employees, including the Director, now receive formal documented performance evaluations.</li> <li>• Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  DPS human Resources now retain documentation of all DPS Director direct appointments.</li> <li>• Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  A policy change has been implemented requiring employment reference checks as recommended.</li> <li>• Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98  Data entry work is ongoing to complete the training record consolidation.</li> </ul>
<p><u>Management's Response from Original Report:</u></p> <p><i>Policy changed to require formal documented performance evaluations be completed annually for all DPS employees, including the Director.</i></p> <p><i>DPS Human Resources will retain written justification of selection and qualifications of individuals considered for direct appointments to DPS positions by the Director.</i></p> <p><i>Policy changed to require employment reference checks for all new applicants appointed to position at the DPS and specified security sensitive positions will also include a detailed background check.</i></p> <p><i>All employee training records are being combined into a centralized database by temporary data entry operators with a completion date of 12/97.</i></p> <p><i>Management skill training for present supervisory and management personnel is being enforced with a time line goal for 9/98.</i></p>	

Agency No. 405  
**Department of Public Safety**

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Management has not implemented standards for information resources to reduce costs and improve integrity of confidential and sensitive data.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Establish an overall Steering Committee	Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  Steering Committee meets monthly reviewing, prioritizing and directing information resource issues.
Implement prior audit recommendations	Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  Year 2000 remediation efforts have diverted many resources previously devoted to system development methodology. A DPS change management process continues to be refined as this will be a necessary management tool for Y2K remediation.
<i>Management's Response from Original Report:</i>	
<i>Established Executive Steering Committee</i>	
<i>Developed information technology standards to improve the sharing of infrastructure resources.</i>	

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Department should continue to look for savings opportunities in fleet management.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Purchase solid color vehicles.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED as of 2/28/98</b>  DPS has purchased and issued 14 solid black pursuit vehicles with evaluation being tabulated from DPS members and the public.
Reduce overall fleet size and create car pools.	Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  Fleet reductions are occurring with continued analysis of additional areas for reduction.
<i>Management's Response from Original Report:</i>	
<i>DPS will carefully analyze all available options and act in accordance with the best value for economy and functionality.</i>	

Agency No. 405  
**Department of Public Safety**

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
DPS is not responding within 10 calendar days, as required by law, to all citizens who make open records requests.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend compliance and notification if information cannot be provided within 10 days.	Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  For the period of January 1998 through April 1998, DPS responded to 305 Open Records requests within an average of 8.09 business days.
<i>Management's Response from Original Report:</i>	
DPS has developed a mechanism to send a letter to requestors when information cannot be sent within 10 days.	

<b>Finding 2-C-1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Strengthen control over forfeited assets.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Adopt mandatory federal compliance as a policy.	Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  Fully Implemented
Have internal auditor conduct federal compliance testing.	Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  Fully Implemented
<i>Management's Response from Original Report:</i>	
DPS will comply with federal requirements with regard to the forfeited assets program. DPS will use its Internal Audit section to insure federal compliance.	

Agency No. 405  
**Department of Public Safety**

<b>Finding 2-C-2:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Spending process using forfeited assets is outside normal planning process and may limit Legislative oversight.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Combine existing processes that identify financial needs into a single process.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> as of 2/28/98 Improved communication within DPS and with the legislative leadership through the budgeting process has been aggressively emphasized as an agency function. Unforeseen law enforcement needs under consideration for funding from seized assets will be brought to the attention of the legislative leadership.	
<i>Management's Response from Original Report:</i>		
DPS will accomplish this by improving communications and reporting throughout the budgeting process.		

Agency No. 411  
**Commission on Fire Protection**

**1998 Small Agency Management Control Audit**

SAO Report No. 98-035, April 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Commission has not maintained detailed support for the LAR. Because the audit report with the original recommendation was not released until August 1997, the Commission did not have ample time to maintain documentation for the current biennium's LAR.</p>	
Recommendation	Status Reported by Agency
<p>Maintain detailed support for all amounts in the Legislative Appropriations Request (LAR).</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: xx/xx/xx</p> <p>The commission is in the process of developing its Legislative Appropriation Request for the 2000-2001 biennium. The commission will maintain detailed supporting documentation for the LAR. The information in the file to date includes the LAR instructions, historical budget data and future budget projections (including projected costs for the commission to move, should that become necessary). In addition, each division manager is maintaining a file of communications with their staff concerning the LAR development process.</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>As noted in this report, the LAR for the current biennium was prepared prior to the 1997 audit report, and the agency had no way to address this recommendation for the previous biennium. However, in accordance with this recommendation, the agency is committed to maintaining detailed support for the fiscal year 2000-2001 LAR when it is prepared.</i></p>	

Agency No. 411  
**Commission on Fire Protection**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
<p>The Commission is in the process of developing short-term and long-term plans with clearly stated objectives and a direct relationship to the Commission's mission and goals.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>The Commission should improve its overall plan for training, including establishment of short- and long-term plans with clearly stated objectives and a direct relationship to the Commission's mission and goals.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b></p> <p>The commission has developed an overall plan for training which includes short and long term plans with objectives that relate to the commission's mission and goals. The agency's executive staff developed a framework for the training plan, and an employee work group further developed the plan in a series of meetings which commenced in April 1998. The training plan specifically addresses the following areas: agencywide computer training; training for employees to maintain required certifications; cross training and career ladder training; budget and management training; and personal development. The plan also includes the training approval process, sources of training, training for regional personnel, recommendations for in-house trainers, and performance appraisal training. (A copy of the draft training document is attached to this report for the auditor's review.) The agency will implement the new training plan on September 1, 1998.</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>	<p>Target Date: 09/01/98</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The overall training plan, which will follow these recommendations, will be completed by the end of April 1998. The agency is currently developing an employee task group to review the draft-training plan and make recommendations to management regarding the final draft and implementation.</i></p>		

**Agency No. 411**  
**Commission on Fire Protection**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Commission is currently conducting meetings to determine how to establish a method for evaluating training effectiveness.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Commission should improve its overall plan for training, including establishment of a method for evaluating effectiveness.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 09/01/98</p> <p>The employee work group mentioned in the previous section has identified the agency's performance appraisal system as the best method for evaluating training effectiveness. The training committee noted that the need for training, as well as the value derived from training, is built into the agency's personnel evaluation plan, allowing each supervisor to monitor training needs and specific accomplishments. In addition, the training plan requires written summaries as a follow-up to training. This information is included in the training plan. As noted above, the agency will implement the training plan on September 1, 1998.</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>
<p><u>Management's Response from Original Report:</u></p> <p>The Commission is developing an employee task group to review and make recommendations regarding the training plan. One of the employee group's tasks will be develop an evaluation mechanism. The targeted completion date is the end of April 1998.</p>	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
<p>The disaster recovery plan still lacks several essential elements that would help the Commission recover its automated records should a disaster occur. Specifically, the plan lacks a formal arrangement or contract with a vendor regarding software and hardware, a description of equipment needed for recovery, the cost of support, physical facilities or hot sites to be used, and the lines and data to restart operations.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Enhance the disaster recovery plan.</p>	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 12/31/98</p> <p>As noted in previous responses to the audit report, one challenge facing the agency in this critical area has been its ability to attract and retain professional IR staff. The timetable for implementing this recommendation was adversely affected because the two positions could not be filled within the projected time frame. As of the end of June, however, the agency has filled its IR vacancies. To allow the new IR staff adequate time to orient themselves with the agency's IR environment (including current issues, projects, and reporting requirements), the agency will move the deadline for completion of the disaster recovery plan to December 31, 1998.</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>

Agency No. 411  
**Commission on Fire Protection**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
<p>The disaster recovery plan still lacks several essential elements that would help the Commission recover its automated records should a disaster occur. Specifically, the plan lacks a formal arrangement or contract with a vendor regarding software and hardware, a description of equipment needed for recovery, the cost of support, physical facilities or hot sites to be used, and the lines and data to restart operations.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i></p> <p>The agency will give high priority to enhancing its disaster recovery plan in accordance with the auditor's recommendations, with a targeted completion date of September 1, 1998. Furthermore, the agency is grateful to the auditor's office for providing a great deal of additional information and assistance in designing the agency's disaster recovery plan.</p>	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
<p>Although the Commission is backing up budget information when changes are made to the budget, this financial information is not stored on the local area network (LAN). As a result, budget information may be backed up daily without duplication of effort. Under the current process, a greater opportunity for the loss of important data continues to exist.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Ensure regular backup of budget information is performed.</p>	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 12/31/98</p> <p>As noted in the previous discussion regarding the information resources division of the agency, this area is one which has been affected by the agency's ability to attract and retain professional IR staff. Among the projects requiring IR staff involvement is the redesign of the system for maintaining budget data. The agency's budget data will be moved from its current platform to a more secure, compliant and accessible system which will allow for daily backups. Additionally, the agency is in the process of filling an important vacancy, the support services division director. The agency anticipates completing the hiring process by mid-July. This position, which merges the former budget director and support services director positions, will be responsible for the agency's budget-related activities. The agency intends to await input from the new support services director to identify business and accounting software and programs to manage the agency's budgetary processes. Therefore, the agency will establish a revised deadline of December 31, 1998 to implement this recommendation.</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>
<p><i>Management's Response from Original Report:</i></p> <p>The agency plans to transfer the budget information to the LAN no later than June 30, 1998. In conjunction with the transfer, backup procedures will be implemented in accordance with these recommendations.</p>	

Agency No. 411  
**Commission on Fire Protection**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Commission has not yet implemented the use of a multi-part form to facilitate tracking of the location and custody of assets.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Use of multi-part accountability forms to facilitate tracking of the location and custody of assets</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 07/30/98</p> <p>The commission has adopted and implemented a multi-purpose form, which was reviewed and approved by the State Auditor's Office in May 1998. Training for employees on the use of this form was completed in June 1998. The form is currently in use for tracking and accounting for assets. Further, the commission is currently conducting a complete inventory of all its assets. The projected completion date of the annual inventory is July 30, 1998. (A copy of the multi-purpose form is attached to this report for the auditor's review.)</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>
<p><i>Management's Response from Original Report:</i></p> <p>The Commission agrees with and will implement all of the auditor's recommendations by April 1, 1998</p>	

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission has not provided training to supervisors regarding the Commission's policies and procedures for the accountability of assets. However, the Commission is making plans to train supervisors before April 1, 1998.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Training of all supervisors on the Commission's policies and procedures for the accountability of property</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>As stated above, the commission conducted training for supervisors and all employees concerning the accountability of assets in June 1998. The commission will also conduct annual refresher training addressing the agency's asset management policies and procedures.</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>
<p><i>Management's Response from Original Report:</i></p> <p>The Commission agrees with and will implement all of the auditor's recommendations by April 1, 1998.</p>	

**Agency No. 411**  
**Commission on Fire Protection**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission plans to communicate the policies and procedures to all employees within the organization before April 1, 1998.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Communication of policies and procedures to all employees within the organization.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>As noted above, the commission conducted asset management and accountability training for all employees in June 1998.</p> <p>Contact: Gary L. Warren Sr., Executive Director</p>
<p><i>Management's Response from Original Report:</i></p> <p>The Commission agrees with and will implement all of the auditor's recommendations by April 1, 1998</p>	

Agency No. 452  
**Department of Licensing and Regulation**

**An Audit Report on Performance Measures at 26 State Agencies**  
 SAO Report No. 97-077, August 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Adequate source documentation was not available for selecting and testing on the key measure "Percent of Applications Processed Within Established Time Frames."	
Recommendation	Status Reported by Agency
Maintain a log of the applicant's name, license number, application received date and application processed date.	Status as of 6/30/98: <b>IMPLEMENTED</b>  IHB computer log implemented 3/1/98.
From this log count the number of licenses issued within established time frames.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Boiler computer program implemented 6/1/98.  Elevator computer program implemented 6/15/98.  Contact: Pat Causey, Director of Professional and Business Licensing
<u>Management's Response from Original Report:</u>  <i>The IHB, Boiler and Elevator computer programs are implemented and the auditor's recommendations met.</i>	

Agency No. 453  
**Workers' Compensation Commission**

**An Audit Report on the Management Controls at the Texas Workers' Compensation Commission**

SAO Report No. 98-019, February 1998.

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Executive management provides insufficient oversight of human resource (HR) management. Other management levels inconsistently monitor and enforce compliance with HR policies and procedures.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Executive management should provide sufficient oversight of human resource management and ensure that managers, supervisors, and employees have a clear understanding of human resource policies and procedures.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 1/30/99</p> <p>Policies and procedures revisions to the Agency's Human Resources Manual are being drafted and will be reviewed by General Counsel. The process to review human resources indicators and related audit report recommendations by the Acting Executive Director and senior management has produced significant results, particularly in the areas of performance evaluations and functional job description updates. In addition, the new Acting Executive Director has increased reviews of human resources management trends to each weekly Directors meeting to allow a broader coverage of subjects. An Executive Director is expected to be hired within three months. It is estimated that an additional three months will be required for the new Executive Director to review existing policies and controls and to formulate any necessary revisions to Executive level policy for oversight of Human Resources Management.</p> <p>Contact: Linda Farrow, Director, Administration.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Concur. Executive management has initiated action that will provide effective oversight to human resource management. Human Resources staff has been directed to ensure that all human resource policies and procedures are clearly written and made available to all Commission employees. Additionally, key indicators involving Human Resource areas are being presented to the Executive Director at one of the regular weekly director's meetings each month. These presentations provide the forum for the Executive Director to review program status with senior management staff and to provide necessary guidance and direction to ensure that the programs are, and remain, on track.</i></p>	

Agency No. 453  
**Workers' Compensation Commission**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
<p>The Commission's aged mainframe computer is nearing full capacity, has high operating cost, and has slow response times. Not all MIS policies and procedures have been finalized or implemented. A data management process for collecting, storing, retrieving, and archiving data does not exist. Current plans do not provide a clear understanding of the Commission's technical direction.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
MIS policies and procedures in draft form should be formalized and implemented.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98</p> <p>The Commission has outsourced its mainframe computing capacity to the West Texas Disaster Recovery and Operations Center. Part of the contract for these services includes a procedures manual. The procedures manual will include updating, formalizing, and implementing procedures for mainframe operations, production control, security, etc. This has a contracted completion date of August 25, 1998. The Commission has established a System Development Life Cycle workgroup to address application development procedures.</p>
The creation and ongoing maintenance of a data model for the workers' compensation environment.	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 12/31/98</p> <p>The Commission has begun an initial data element inventory of the data collected by the agency. Additional work is required and will be part of the redesign plan of the Commission's legacy applications. This process has been delayed by the year 2000 work in progress and the amount of testing that is required by the same staffing resources that will be required in this project. The Year 2000 project is scheduled for completion at the end of September. The agency is also in the process of developing a Request for Information that will provide a contractor that will assist the agency in determining the direction the agency will take regarding the redesign of its legacy systems. Using this information, a plan on how to proceed will be developed by the target date of 12/31/98.</p>
Give priority to data problems that impact levels of service and quality of information	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 12/31/98</p> <p>The Commission has begun an initial data element inventory of the data collected by the agency. Additional work is required and will be part of the redesign plan of the Commission's legacy applications. This process has been delayed by the year 2000 work in progress and the amount of testing that is required by the same staffing resources that will be required in this project. The Year 2000 project is scheduled for completion at the end of September. The agency is also in the process of developing a Request for information that will provide a contractor that will assist the agency in determining the direction the agency will take regarding the redesign of its legacy systems. Using this information, a plan on how to proceed will be developed by the target date of 12/31/98.</p>

Agency No. 453  
**Workers' Compensation Commission**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
<p>The Commission's aged mainframe computer is nearing full capacity, has high operating cost, and has slow response times. Not all MIS policies and procedures have been finalized or implemented. A data management process for collecting, storing, retrieving, and archiving data does not exist. Current plans do not provide a clear understanding of the Commission's technical direction.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Establishment of a cycle plan for performing, evaluating, and reporting on the data management process</p>	<p>Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b></p> <p style="text-align: right;">Target Date: 12/31/98</p> <p>The Commission has begun an initial data element inventory of the data collected by the agency. Additional work is required and will be part of the redesign plan of the Commission's legacy applications. This process has been delayed by the year 2000 work in progress and the amount of testing that is required by the same staffing resources that will be required in this project. The Year 2000 project is scheduled for completion at the end of September. The agency is also in the process of developing a Request for information that will provide a contractor that will assist the agency in determining the direction the agency will take regarding the redesign of its legacy systems. Using this information, a plan on how to proceed will be developed by the target date of 12/31/98.</p>
<p>The Commission should obtain the Department of Information Resources guide, <i>The Architecture Framework for Information Resource Management</i>, which provides the guidance needed to govern changing technology.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 12/97</b></p> <p>A copy of DIR's <i>The Architecture Framework for Information Resources Management</i> was obtained in December 1997 and is being used to develop a standards based architecture. Completed.</p> <p>Contact: Paul Garner, Director, Management Information Systems.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Concur. The MIS division will review, formalize, and implement draft policies and procedures.</i></p> <p><i>Concur. The Commission will continue its efforts to evaluate and improve the data it collects and the mechanisms used to collect the data. The WCIPT (Workers' Compensation Information Planning Team) has begun efforts to review the data elements and forms needed for Commission information. The Commission will initiate an evaluation of the creation and maintenance of a data model for the workers' compensation environment. The Commission will also evaluate establishing a cycle plan for performing, evaluating, and reporting on the data management process. This will be done in conjunction with the data model</i></p> <p><i>Concur. The Commission obtained "The Architecture Framework for Information Resources Management."</i></p>	

**Board of Private Investigators and Private Security Agencies**

**Overall Conclusion**

The new management of the Board of Private Investigators and Private Security Agencies (Board) is taking corrective action — and in some cases has completed corrective action — on all recommendations from our March 1997 audit report. The General Appropriations Act (agency Rider 4) requires that we report semiannually on the progress of the Board in addressing audit issues. This is the second of the semiannual reports we will provide under the terms of this rider. The attached table provides detail on the Board's progress and the status of our review.

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

SAO Report No. 97-048, March 1997

Finding 1:		Overall Status as of 6/30/98: IMPLEMENTED
<i>Travel and purchase vouchers had been falsified.</i>		
Recommendation	Status Reported by Agency	
<p>Ensure that vouchers and supporting documentation are true, accurate, and correct. Ensure that only reasonable and necessary expenses are incurred for board meetings.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>Changes will be made to planning and conduct of Board meetings. The Acting Chief Accountant will carefully review travel and purchasing guidelines with senior staff.</i></p>	<p>Status as of 6/30/98: IMPLEMENTED as of 10/31/97</p> <p>New procedures have been implemented.</p> <p>Implementation Verification by SAO</p> <p>SAO reviewed 7 travel vouchers in December, and found that all 7 were properly authorized.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 2:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Board did not follow state purchasing requirements:</p> <ul style="list-style-type: none"> <li>• <i>It did not obtain competitive bids for training courses.</i></li> <li>• <i>It split purchases to avoid requirement to comply.</i></li> <li>• <i>Contracts were vague, they did not contain deliverables or specifics.</i></li> </ul>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Comply with purchasing requirements; structure contracts to be specific.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>The Board will comply in the future.</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/31/97</p> <p>New procedures have been implemented.</p> <p>Implementation Verification by SAO</p> <p>The SAO considers this recommendation to be partially implemented.</p> <p>The SAO reviewed procedures in place. In addition, in accordance with the Board's Rider No. 5, the Board has submitted contracts to the General Services Commission for its review in Fiscal Year 98. SAO reviewed several of these contracts both before and after submission to the General Services Commission. It appears that the Board has made changes as recommended and that the General Services Commission's review was substantive.</p> <p>A recent post-payment review of the agency performed by the Comptroller's office suggests that there is still some improvement to be made for some kinds of purchases. The agency will implement these changes and the Comptroller's office will review again within the next six months.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

<b>Finding 3:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board paid first-class airfare without supporting documentation to show those were the only tickets available.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Comply with General Appropriations Act.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>The Board reaffirmed a policy of lowest possible airfares in February 1997.</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 12/31/97</p> <p>New procedures have been implemented.</p> <p>Implementation Verification by SAO</p> <p>SAO attended the Comptroller of Public Accounts' training on travel when this training was provided to the Board members in December 1997. In addition, we tested seven recent travel vouchers and found no exceptions.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 4:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Invoices were not paid in a timely manner. Ten of 30 tested were paid after due date; 5 of the 30 were not paid within 30 days.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Develop and implement policies and procedures to ensure that bills are paid in a timely manner.  <u>Management's Response from Original Report:</u>  This issue was addressed in February 1997.	Status as of 6/30/98: <b>IMPLEMENTED as of 12/31/97</b>  New procedures have been implemented. The Board has caught up on overdue payments as of December 1997.  Implementation Verification by SAO  SAO confirmed that payments were current within one week in December. The Comptroller's office will be doing an extensive review of the Board's procurement within the next six months. This review will include compliance with the prompt payment requirements.  Contact: Jay Kimbrough, Executive Director	

<b>Finding 5:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Board uses exception-based timekeeping system, not a positive assertion based system.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Start using a system that requires employees to report hours worked as well as leave taken. The form used to report time information should include a statement holding employee responsible for accuracy of the information.  <u>Management's Response from Original Report:</u>  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. This new procedure became effective on March 1, 1997.	Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b>  Timekeeping system was changed March 1997 and revised once in June 1997 and again in November 1997.  As of February 6, 1998, the conversion from the manual system to the Comptroller of Public Accounts' automated system is complete.  Implementation Verification by SAO  SAO reviewed the policy related to time sheets and the form used for time sheets as of December 1997. The new form has space for including the number of hours worked; the amount of sick leave, annual leave, and compensatory leave used and taken; the approval of a supervisor; and the certification of accuracy by the employee.  Contact: Jay Kimbrough, Executive Director	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 6:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Board should identify ways to expedite the investigative processes and decrease the backlog of investigation cases.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Prioritize process investigation cases.</p> <ul style="list-style-type: none"> <li>Identify ways to expedite investigative process and decrease backlog.</li> <li>Report performance information on the status of cases. (The initial report listed examples of measures.)</li> </ul> <p><u>Management's Response from Original Report:</u></p> <p>The Board will contact other licensing agencies by April 1, 1997, to get help in drafting procedures and will pursue a solution to backlog until it is eliminated. Investigations Division will set monthly, quarterly, and annual targets for reducing, eliminating the backlog.</p>	<p>Status as of 6/30/98: IMPLEMENTED as of 1/31/98</p> <p>The backlog has been eliminated.</p> <p>Between September 1997 and January 20, 1998, the Investigations Division opened 1,694 cases and closed 2,250 cases. The Board considers the level of open cases at this point to represent an appropriate level of open cases and not a backlog.</p> <p>Implementation Verification by SAO</p> <p>SAO reviewed the priorities that were set in policy as of June 1997. As of January 1998, we confirmed that the backlog in investigations has indeed decreased. On that date, there were 2,056 cases open, significantly less than the backlog of 3,323 that existed in our March 1997 report. The number of cases continues to decrease. On March 10, 1998, there were 1,234 open cases.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Management does not receive the information it needs on status of investigations. The information is available; however, it is not aggregated in a user-friendly manner.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Executive management and the governing board should receive performance information on the status of cases from the point they are received to the time they are closed.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>The head of Investigations Division will contact other agencies for assistance. The Investigations Division will prepare a monthly report for Executive Director summarizing backlog and prioritizing next month's efforts. Automated Services will obtain a database that will improve reporting. The Investigations Division will set annual, monthly, and quarterly targets for eliminating backlog</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/31/97</p> <p>The Executive Director is now receiving a weekly report that includes the number and type of investigations by investigator, and the number and type of investigations closed and pending by investigator.</p> <p>Implementation Verification by SAO</p> <p>SAO reviewed the information that management receives. The report provides summary information, as well as open investigations by investigator. In addition, this ties to additional detail based on case number.</p> <p>Contact: Jay Kimbrough, Executive Director</p>

**Board of Private Investigators and Private Security Agencies**

<b>Finding 8:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board has established a hierarchy of computer access. However, some employees have unnecessary access to changing and renewing records of an individual.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>The Board should establish a hierarchy of access that limits employees' ability to affect licensee data based on their job responsibility.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>A review of employee need for licensee data change access was performed in December 1996 and only those employees with specific job responsibilities that require changing licensee data are able to access change functions within the Board's computer system.</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/31/97</p> <p>Change access has been limited.</p> <p>Implementation Verification by SAO</p> <p>The Board is considering new licensing software, and is exploring the different options. DIR is involved in these discussions.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 9:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Records retention schedule needed to be updated.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Update schedule to show how long records will be retained, and what is actually "readily available."  <u>Management's Response from Original Report:</u>  Done March 1997.	Status as of 6/30/98: <b>IMPLEMENTED as of 1/98</b>  The records retention schedule was revised in June 1997 and again in January 1998.  Implementation Verification by SAO  SAO reviewed the January 1998 retention schedule as submitted to the State Library.  Contact: Jay Kimbrough, Executive Director	

<b>Finding 10:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Not all divisions have written procedures for all positions and functions.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Develop or complete written procedures for Licensing, Investigations, and Accounting divisions.  <u>Management's Response from Original Report:</u>  All divisions now have staff flow charts. Descriptions and instructions for job tasks will be completed by September 1, 1997.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Hearings Division manual is complete as of 11/97.  Manual for Investigations Division was completed in February 1998. Manual for Administration Division manual is complete as of May 1998. The License Division Handbook had already been completed.  Contact: Jay Kimbrough, Executive Director	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 11:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Current procedures do not routinely include a process for review and approval of decisions to purchase goods or services.</p>		
Recommendation	Status Reported by Agency	
<p>The Board should consider including review and approval procedures for each agency process.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>Review and approval procedures for purchasing, travel, and accounting have been adopted as policy. This policy became effective in February 1997.</i></p>	<p>Status as of 6/30/98: IMPLEMENTED as of 10/97</p> <p>Review and approval processes have been implemented for expenditure and disbursement decisions</p> <p>Implementation Verification by SAO</p> <p>SAO has reviewed the procedures, and recent purchases appear to have been appropriately approved.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

<b>Finding 12:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board has implemented procedures requiring documentation of the receipt of goods and services 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>		
Recommendation	Status Reported by Agency	
<p>The Board should require documentation for receipt of goods and services rendered prior to paying disbursement vouchers.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>On March 17, 1997, 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.</i></p>	<p>Status as of 6/30/98: IMPLEMENTED as of 10/31/97</p> <p>Policies have been implemented.</p> <p>Implementation Verification by SAO</p> <p>SAO reviewed the procedures. In December 1997, we tested three purchases made in October and November. We found that the receipt of two of the purchases was adequately documented, but that the receipt of one was not.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 13:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Cash receipts are not adequately safeguarded. Cash receipts are processed throughout the day and are left on desks in an unsecured room. 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>		
<b>Recommendation</b>	<b>Status Reported by Agency</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><u>Management's Response from Original Report:</u></p> <p><i>Policies and procedures were implemented in February 1997 to ensure the safeguarded handling of and accounting for all cash receipts (cash, checks, cashier's checks).</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/31/97</p> <p>Cash payments are no longer accepted at the Board. Receipts of checks and money orders are now deposited within three business days or four calendar days.</p> <p>Implementation Verification by SAO</p> <p>SAO has reviewed procedures related to cash receipts.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

<b>Finding 14:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<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 Board. In addition, fixed asset management is not adequately segregated. The Board's property manager for fixed assets tags them as they are received, and updates and reconciles them to the Statewide Property Accounting System.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Segregate the duties over the various accounting functions.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>All accounting functions and their review and reconciliation have been segregated and assigned to separate individuals effective March 1997.</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/97</p> <p>Payroll has been separated into timekeeping, data entry, and reconciliation. New procedures have also been developed for fixed assets.</p> <p>Implementation Verification by SAO</p> <p>SAO has reviewed the procedures that are now in place. However, we have not tested compliance.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 15:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board has not developed procedures for the review and approval of statewide accounting system transactions.</p>		
Recommendation	Status Reported by Agency	
<p>Establish management review and approval procedures for releasing accounting transactions that update the statewide accounting systems.</p> <p><u>Management's Response from Original Report:</u></p> <p><i>Effective February 1997, 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.</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/31/97</p> <p>Procedures have been developed and implemented.</p> <p>Implementation Verification by SAO</p> <p>SAO has reviewed the procedures. We have not tested compliance with the procedures, nor have we ensured that these procedures are adequate.</p> <p>Contact: Jay Kimbrough, Executive Director</p>	

**Board of Private Investigators and Private Security Agencies**

<b>Finding 16:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board has not performed Fair Labor Standards Act (FLSA) status checks to determine exempt or non-exempt status of employees.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Implement control procedures that require periodic reevaluation 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> <p><u>Management's Response from Original Report:</u></p> <p><i>The Board has appointed a new FLSA compliance coordinator effective February 1997.</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 10/97</p> <p>At the end of October, all positions were evaluated for FLSA status. Employees have been notified of their current FLSA status. Implementation Verification by SAO</p> <p>Implementation Verification by SAO</p> <p>SAO reviewed the acknowledgment of notification. It appears that only the Executive Director and the four Division Directors are considered exempt for FLSA purposes.</p> <p>Contact: Jay Kimbrough, Executive Director</p>

**Board of Private Investigators and Private Security Agencies**

Finding 17:	Overall Status as of 6/30/98: IMPLEMENTED
<p>Four of the five division chiefs have not had a performance evaluation in five years. The only supporting documentation in the personnel files for personnel actions is the performance evaluation. There are no records of the selection process in the personnel files, nor is there a rating scale or matrix recording the selection process. The Executive Director has not received a formal written evaluation from the Board.</p>	
Recommendation	Status Reported by Agency
<p>Implement controls to ensure that periodic performance evaluations are 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> <p><u>Management's Response from Original Report:</u></p> <p><i>Effective September 1996 the Board has implemented new procedures that enable an accurate evaluation of employee performance based on specific, objective, performance based criteria.</i></p> <p><i>The Board staff will contact similar-sized agencies for assistance in developing evaluation criteria for the Executive Director to be used by the Board</i></p> <p><i>Procedures are being implemented to insure that proper supporting documentation is contained in the personnel files relating to personnel actions.</i></p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 1/98</b></p> <p>Performance reviews are now annual for most employees, with additional review for new employees. In January 1998 the Executive Director notified the governing board that his six- month evaluation would be due on April 16 and that his annual evaluation would be due every October 16. He also provided the governing board with copies of formats that other state agencies have used.</p> <p>Division directors received evaluations in April 1998.</p> <p>Implementation Verification by SAO</p> <p>SAO confirmed that all supervisors were required to evaluate staff by October 31. In addition, we tested the personnel files of six non-exempt employees to ensure that there were current evaluations and that pay changes were supported by evaluations. Five of the six employees had received performance evaluations during the last 12 months. One of these had received a pay increase, and his evaluation supported this increase.</p> <p>We reviewed the six-month evaluation that the Executive Director received from the governing board.</p> <p>Contact: Jay Kimbrough, Executive Director</p>

Agency No. 476  
**Texas Racing Commission**

**1998 Small Agency Management Control Audit**

SAO Report No. 98-035, April 1998

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Ensure Licensees Meet Licensing Requirements.	
Recommendation	Status Reported by Agency
We recommend that the Commission revise and appropriately modify its occupational licensing procedures to ensure that the required support for each type of license is obtained and documented before granting occupational licenses.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98  Contact: Darrell Shook, Director of Occupational Licensing
<i>Management's Response from Original Report:</i>	
<i>The Commission has begun a review of its occupational licensing procedures and will complete the revision and documentation of the procedures by September 1, 1998.</i>	

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Strengthen the enforcement process.	
Recommendation	Status Reported by Agency
Clarify its policies and procedures regarding (1) the intended use of its penalty guidelines for medication violations and (2) how strictly the Commission intends for the guidelines to be followed.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Contact: Mike Burleson, Deputy Director for Racing
Develop written penalty guidelines for non-medication violations, and distinguish between serious and minor violations.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98  Contact: Mike Burleson, Deputy Director for Racing

Agency No. 476  
**Texas Racing Commission**

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Strengthen the enforcement process.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Develop guidelines for dealing with licensees who commit multiple violations. These guidelines should include criteria for revoking and for not renewing licenses. The Commission could use its rulings database to track multiple offenders and enforce guidelines.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 9/1/98
	Contact: Mike Burtleson, Deputy Director for Racing	
Develop procedures for reviewing Stewards' and Judges' rulings to ensure consistency with the penalty guidelines.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 9/1/98
	Contact: Mike Burtleson, Deputy Director for Racing	
<i>Management's Response from Original Report:</i>		
<p><i>The Commission has had penalty guidelines for medication violations for both horses and greyhounds since 1991. The agency cannot state with certainty, however, the extent to which these guidelines have been communicated to the Stewards and Judges or to which they are being used.</i></p> <p><i>On February 17, 1998, the Commission distributed to all Stewards a memorandum reiterating the penalty guidelines for medication violations in horses and clarifying the procedures for documenting mitigating circumstances that result in penalties that deviate from the guidelines. The Commission plans to issue a similar memorandum for medication violations in greyhounds by the end of March 1998. The Commission plans to complete penalty guidelines for other types of common violations by September 1, 1998. To ensure consistent application of the guidelines, the Commission will develop a procedure for reviewing rulings which will be fully implemented by September 1, 1998.</i></p> <p><i>The written policies regarding repeat offenders will be completed by September 1, 1998</i></p>		

Agency No. 476  
**Texas Racing Commission**

<b>Finding 1-C:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Enhance the inspection process.			
Recommendation	Status Reported by Agency		
Implement steps to ensure that all required inspections are performed annually or as directed in the Commission's policies and procedures.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 1/1/99	
	Contact: Contact: Paula Flowerday, Executive Secretary		
Redesign the Commissioners' report format to show status and results of all types of inspections.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 1/1/99	
	Contact: Contact: Paula Flowerday, Executive Secretary		
Ensure that inspection reports and inspection files are complete.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 1/1/99	
	Contact: Contact: Paula Flowerday, Executive Secretary		
<i>Management's Response from Original Report:</i>			
<i>The Commission is in the process of reviewing the inspection program procedures and will have appropriate revisions implemented by January 1, 1999.</i>			

<b>Finding 2-A:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>	
Establish controls over cellular telephones.			
Recommendation	Status Reported by Agency		
We recommend that the Commission develop and implement policies and procedures over cellular telephones to ensure:	Status as of 6/30/98: <b>IMPLEMENTED</b>		
The Commission monitors cellular telephone billings and use.	Contact: Contact: Paula Flowerday, Executive Secretary		
Employees reimburse the Commission for any personal telephone calls on a cellular telephone whose billings are paid by the Commission.	Status as of 6/30/98: <b>IMPLEMENTED</b>		
	Contact: Contact: Paula Flowerday, Executive Secretary		
Employees sign a property form when issued a cellular telephone.	Status as of 6/30/98: <b>IMPLEMENTED</b>		
	Contact: Paula Flowerday, Executive Secretary		

Agency No. 476  
**Texas Racing Commission**

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Establish controls over cellular telephones.	
<u>Management's Response from Original Report:</u>	
On February 1, 1998 a cellular telephone policy to prevent and detect misuse of cellular telephones was implemented.	
As of February 22, 1998 each employee of the Commission assigned any state equipment is required to sign a Property Receipt Form.	

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve controls over travel voucher processes	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that management follow state travel regulations and comply with its internal policies and procedures for approving travel vouchers.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Contact: Tim Craig, Director of Finance and Accounting
<u>Management's Response from Original Report:</u>	
In January 1998, the Commission issued a revised employee handbook which contains specific information regarding travel obtained from the State Auditor's Human Resources Inventory 1998-99.	

Agency No. 476  
**Texas Racing Commission**

<b>Finding 2-C:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Correct weaknesses with petty cash and travel advance accounts.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Change the lock to the office or desk in which the checkbooks are kept, assign keys to only those employees that need access based on their job duties, and keep account of who has a key.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Contact: Tim Craig, Director of Finance and Accounting	
Implement termination procedures that include deleting check signing authority and returning keys for staff on their last day of employment. Employ a checklist that is initialed by the person doing the deletion and receiving the key.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Contact: Tim Craig, Director of Finance and Accounting	
Require that disbursements from petty cash and travel advance funds be supported by an invoice or receipt and be prepared and approved by separate people.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Procedure implemented; Procedure manual in progress  Contact: Tim Craig, Director of Finance and Accounting	
<u>Management's Response from Original Report:</u>  <p>The Accounting Division has secured the two checkbooks for petty cash and travel advance funds into a locked file cabinet. The Chief Accountant and Chief Financial Officer are now ensuring invoices, receipts, and other documentation support petty cash and travel advances and that requests have appropriate approvals.</p> <p>The signature cards for the petty cash and travel advance fund accounts are being changed to reflect organizational changes. One of the immediate duties the new Chief Financial Officer will assume will be to develop a comprehensive Accounting, Purchasing, and Payroll Policy and Procedure (APP) Manual for the agency. This manual will be implemented no later than September 1, 1998.</p> <p>In addition, the Commission has implemented a checklist for this purpose which includes the initials of the person deleting check signing authority, return of keys, and deleting access to accounting systems.</p>		

Agency No. 476  
**Texas Racing Commission**

<b>Finding 2-D:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Deposit cash receipts within three business days.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Make all deposits within the required three days or arrange for an extension as outlined in Government Code Section 404.094.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Contact: Tim Craig, Director of Finance and Accounting
<i>Management's Response from Original Report:</i>	
The Commission is requesting an exemption to the 3 business-day requirement. If the exemption is approved, the Commission will provide written notice to the State Auditor and the Treasurer in accordance with V.T.C.S. Government Code §404.094. If the exemption is not approved, the Commission will revise its procedures regarding timing of deposits and processing of license applications.	

<b>Finding 2-E:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve controls over disbursements and purchasing.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure that a separation of duties exists between the person receiving goods and the person preparing the payment voucher	Status as of 6/30/98: <b>IMPLEMENTED</b>  Procedure implemented; Procedure manual in progress  Contact: Tim Craig, Director of Finance and Accounting
Ensure that properly authorized purchase orders, invoices, and receiving reports are attached to payment vouchers.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Procedure implemented; Procedure manual in progress.  Contact: Tim Craig, Director of Finance and Accounting
Mathematical calculations are made to verify accuracy of billings and payments.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Procedure implemented; Procedure manual in progress.  Contact: Tim Craig, Director of Finance and Accounting
Approval signatures by both the requester and management are obtained on purchase orders prior to purchasing.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Procedure implemented; Procedure manual in progress.  Contact: Tim Craig, Director of Finance and Accounting

Agency No. 476  
**Texas Racing Commission**

<b>Finding 2-E:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve controls over disbursements and purchasing.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p>The Commission has made all staff involved in purchasing aware of the fundamental principles of segregation of duties and requiring these procedures be followed to prevent fraud and abuse. The Accounting, Purchasing, and Payroll (APP) Manual being developed will incorporate segregation of duties in the required purchasing procedures.</p> <p>The Commission currently requires all purchase orders to have the signatures of both the requestor and management. A separate individual from the requestor must acknowledge receipt of the goods. A separate individual from the requestor and the receiver of the goods prepares the payment voucher only after properly verifying the receipt of the goods. The Chief Financial Officer, Chief Accountant, or Deputy Director for Administration approves the payment voucher only after reviewing the supporting documentation and verifying the mathematical accuracy of the voucher. These procedures will ensure purchases are necessary and made in accordance with need and management intent.</p>	

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve procedures over Fair Labor Standards Act (FLSA) administration.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Continue its periodic review of the duties and responsibilities of all positions to ensure appropriate FLSA exempt or nonexempt status.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Contact: Contact: Paula Flowerday, Executive Secretary</p>
Maintain documentation to support the determinations, including the basis of FLSA exempt determinations (executive, administrative, or professional) in the employee personnel files.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Contact: Contact: Paula Flowerday, Executive Secretary</p>
<i>Management's Response from Original Report:</i>	
<p>The agency has developed a binder that contains a current job description for all positions, along with a determination as to each position's FLSA status. The agency will update the binder as job descriptions are revised and review the FLSA status on each revision. In addition, the agency will review all positions annually in September in conjunction with the classification review.</p>	

Agency No. 476  
**Texas Racing Commission**

<b>Finding 4:</b>  Limit access to automated information systems	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Review job duties on an annual basis to ensure that each person's access rights to automated information systems are based on need for that access.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98  Contact: Contact: Paula Flowerday, Executive Secretary

## Advisory Commission on State Emergency Communications - Poison Control Program

### **1997 Small Agency Management Control Audit, Advisory Commission on State Emergency - Poison Control Program**

SAO Report No. 97-086, August 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Established policies and procedures relating to expenditures for the Poison Control Program are not consistently followed.	
Recommendation	Status Reported by Agency
All purchases should be approved by management prior to the actual purchase.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Purchases are approved by management prior to purchase. The management level that approves the purchase is based on the dollar value of the purchase.
Receiving reports should be obtained before payment.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98  A more formal receiving report process is being implemented for significant purchases. A new Financial Officer joined the agency in May 1998, and he is reviewing the procedure before implementation.
A system should be developed to ensure accurate posting of all transactions.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Coding charts are now in place to insure consistent accurate coding of invoices. Batches are verified by two people before final posting to system.
<u>Management's Response from Original Report:</u>	
<p>The state's Poison control program is a relatively new responsibility of the Advisory commission on State Emergency Communications (ACSEC), and the Texas Department of Health (TDH). In light of the above, the agency has the following response to noted findings</p> <p><u>Approval by Management:</u></p> <p>All poison control purchases occurred pursuant to a competitively procure purchase agreement (implemented by the (General Services Commission). Oversight by management was implicit in that process. In any case, already established management control systems have been strengthened to insure that all staff are aware of the process, and how such systems apply to various expenditure activity. These systems require management to review, approve and sign purchase requests by program staff.</p> <p><u>Attached Receiving Report:</u></p> <p>Agency staff monitored and inventoried all capital equipment purchased under the program in accordance with the purchase agreement described above. In any case, ACSEC did not have, at that time, a documented receiving report process. As a result of this review, the agency has revised its purchase order form to include a receiving report acknowledgment.</p> <p><u>Posted to the correct account:</u></p> <p>New to the state treasury, ACSEC continues to work with the Comptroller's Office to insure that expenditure activity is posted to correct accounts. Agency fiscal staff has been enhanced and received additional training to insure that such posting is correct and accurate.</p>	

Agency No. 501  
**Department of Health**

**An Audit Report on Medical Managed Care at the Texas Department of Health**  
 SAO Report No. 98-028, February 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Staffing is inadequate. Approximately one-half of all positions within the Program Operations, Program Quality Health Services, and Client-Provider Services divisions are currently vacant.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend the Bureau of Managed Care work aggressively to fill each of the vacant positions within the Bureau. Policies and procedures to be followed by staff should be formalized and documented, and new staff members should be trained in the policies and procedures so that they fully understand the responsibilities of their positions.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 09/01/98</p> <p>The BMC has hired four employees as of 6/15/98 and posted all remaining unfilled positions. The BMC has developed a new employee checklist. Managers will be responsible for providing on-the-job training for their new staff.</p> <p>A target date of 9/1/98 was set to be fully staffed and fully implemented.</p> <p>Contact: Leah Rummel, BMC</p>
<u>Management's Response from Original Report:</u>	
Seven of these positions have been filled to date and five others are currently advertised. Aggressive steps to advertise and fill the remaining eleven vacancies is underway. Expectation for completion of hiring is April 1, 1998. When positions are filled, managers are responsible for providing on-the-job training for their new staff so that they understand the responsibilities of their positions.	

Agency No. 501  
**Department of Health**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Medicaid managed care data cannot be directly or easily accessed by staff within the Bureau of Managed Care.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Bureau should thoroughly evaluate what its Medicaid managed care information needs are and what barriers to those information needs exist. The Bureau should then develop several alternatives to obtaining the information and evaluate the cost effectiveness of each. The Department should complete as soon as possible its current evaluation of using a data warehouse to provide a central location to store and access data.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/01/98</p> <p>NHIC is developing as part of Compass 21 an ad-hoc query platform. By 2/1/1999, Bureau staff will have access to Medicaid Managed Care data through this Ad-Hoc query platform that allows for easy query and reporting capabilities.</p> <p>Target date for full implementation is 12/1/98.</p> <p>Contact: Leah Rummel, BMC</p>
<p><i>Management's Response from Original Report:</i></p> <p>TDH has signed a systems development contract with NHIC to provide a state-of-the-art claims processing and encounter reporting system called Compass 21. Query and extensive ad hoc reporting capabilities are scheduled to be implemented by April of 1999. In addition, TDH has also signed a contract with the Texas Health Quality Alliance for data analysis and other related functions.</p>	

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Revisions to the contracts between the Department of Health and the managed care organizations are not always formalized in writing.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>We recommend all revisions to contracts be formalized and documented as amendments to the contract. Memoranda of understanding between the Department and managed care organizations may serve as an alternative to formal contract amendments.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 09/01/98</p> <p>The Bureau of Managed Care has developed a formalized process documenting contract changes. The BMC is also implementing a process for updating the policy and procedure manual. Through this process, all written policy changes are kept in one centralized location and distributed to all managers.</p> <p>A target date for full implementation is 9/1/98.</p> <p>Contact: Leah Rummel, BMC</p>

Agency No. 501  
**Department of Health**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Revisions to the contracts between the Department of Health and the managed care organizations are not always formalized in writing.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
The commission agrees that all revisions should be formalized and documented as amendments to the contract.	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The National Heritage Insurance Corporation, which processes all Medicaid claims, often modifies data submitted by the managed care organizations without consulting or notifying them.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend the Bureau of Managed Care reevaluate the various levels of edits to determine location appropriateness. Editing should be performed as early in processing as possible to allow correction by the creator of the data.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/01/98  The Bureau of Managed Care is currently analyzing all edits and audits in the current system. Target date for full implementation is 12/1/98.  Contact: Leah Rummel, BMC
<i>Management's Response from Original Report:</i>	
Management agrees with the issue and recommendation.	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The automated system maintained by NHIC has not been independently reviewed to ensure adequacy of controls in over four years.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend the Department conduct or arrange for an independent review of the automated controls of the system contractor, NHIC.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98  Preliminary review work is underway. Target date for full implementation is 12/31/98.  Contact: Frank Ditmore, IAD

Agency No. 501  
**Department of Health**

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The automated system maintained by NHIC has not been independently reviewed to ensure adequacy of controls in over four years.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i></p> <p>The Internal Audit group dedicated to continuously review NHIC performance has recently employed an EDP auditor that will perform this function for the Department.</p>	

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Cost effectiveness cannot be ensured.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop and Implement written policies and procedures for evaluating and updating capitated rates in the periods subsequent to initial roll out.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>The Bureau of Statistics and Analysis is updating the Forecasting Procedures Manual to include managed care rate development and evaluation.</p> <p>Contact: David Palmer, S&amp;A</p>
<p>Encounter data should be obtained, verified, and used in the analysis of the capitation rates</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>An encounter data workgroup has been established to monitor the development of an encounter data acceptance and processing system. Meetings are held weekly with the BMC, the Bureau of Information Resources and NHIC to evaluate system development status and to recommend modifications.</p> <p>Target date for full implementation is 12/31/98.</p> <p>Contact: David Palmer, S&amp;A</p>
<p><i>Management's Response from Original Report:</i></p> <p>Management agrees with this recommendation.</p>	

Agency No. 501  
**Department of Health**

<b>Finding 7:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Outcome information that is included in the standard contract with MCOs is not always collected as required.			
Recommendation	Status Reported by Agency		
Evaluate current process of collecting, analyzing, and reviewing data from the MCOs.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/1/98	
	The BMC is in the process of a validation study concerning the existing HMO encounter data. The study will allow extrapolation of current data as an assessment of the total health delivery by plans during the past year. In addition, the HMO encounter data submission requirements are being revised.		
Controls should be established to ensure that all required information is documented and communicated consistently to MCOs and Department staff.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/1/98	
	An encounter data tracking system is being established to accept, reject and track encounter claims on an individual basis. Target date for full implementation is 12/1/98.		
	Contact Leah Rummel, BMC		
<i>Management's Response from Original Report:</i>			
<i>The Department agrees.</i>			

Agency No. 502  
Board of Barber Examiners

**1998 Small Agency Management Control Audit**

SAO Report No. 98-035, April 1998

<b>Finding 1-A:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve compliance with statutes governing examinations.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Ensure that all candidates present a picture identification at the examination site.	Status as of 6/30/98: <b>IMPLEMENTED</b>	
Ensure that the examinations for those whose licenses have been expired for five or more years and for prisoners, be purchased from a national testing service or validated by an independent testing professional.	Status as of 6/30/98: <b>IMPLEMENTED</b>	
<i>Management's Response from Original Report:</i>		
<p><i>Beginning with the September 8, 1997, examination a positive photographic identification has been required of all examinees. Admission to the exams is not allowed without photographic identification.</i></p> <p><i>Beginning with the April 1998 examination all examinees will be given the same test which is produced and validated by a national testing service.</i></p>		

<b>Finding 1-B:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improve controls over inspections and complaint investigations.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Perform a formal risk analysis on all barbershops and schools and identify those with recurring problems. This risk analysis should be based on objective criteria. The results could be used to develop a schedule for inspections.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	
Develop formal policies and procedures to be followed when performing inspections and when filing and investigating complaints.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 08/31/98

Agency No. 502  
**Board of Barber Examiners**

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improve controls over inspections and complaint investigations.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p><i>In conjunction with advice from the State Auditor's Office, the agency will begin immediately to formulate a risk analysis program based on objective criteria.</i></p> <p><i>A draft copy of inspection procedures has been produced but needs enhancement. These procedures will be formalized and presented to the inspector staff in written format. These procedures will be completed and implemented not later than the end of FY98.</i></p>	

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Provide timely performance appraisals for employees.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the Board perform annual written performance appraisals on all employees.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 7/31/98
<i>Management's Response from Original Report:</i>	
<i>Written performance evaluations will be performed for all employees annually.</i>	

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Create and maintain functional job descriptions for all positions.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend the Board develop and maintain functional job descriptions for all positions.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98
<i>Management's Response from Original Report:</i>	
<i>A functional job description will be developed for each position at the agency.</i>	

Agency No. 502  
**Board of Barber Examiners**

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improve accounting practices.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Provide training to accounting staff on preparing the AFR.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 7/31/98 Recommendations partially implemented. Factors delay implementation- Hiring of Accountant III
Perform monthly reconciliations of all fixed-asset transactions.	Status as of 6/30/98: <b>IMPLEMENTED</b> Target Date: 4/1/98
<i>Management's Response from Original Report:</i>	
<p>The agency will obtain training and training materials from the Comptroller of Public Accounts regarding preparation of the AFR.</p> <p>Beginning in April 1998, the agency's accountant will be required to perform a monthly reconciliation of fixed asset transactions/accounts to the State Property Accounting (SPA) system.</p>	

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve controls over cash receipts.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Comply with the three-day rule for depositing funds into the State Treasury.	Status as of 6/30/98: <b>IMPLEMENTED</b> Target Date: 09/01/97
Keep cash in a secure location at all times.	Status as of 6/30/98: <b>IMPLEMENTED</b> Target Date: 09/01/97
<i>Management's Response from Original Report:</i>	
<p>Beginning in September 1997 (beginning of FY98) all deposits to the state treasury have been within the three day limit as required.</p> <p>As of the date of the State Auditor's review it became the policy of the agency to require all cash to be in a secure location, i.e. a locked safe, unless it is being processed at the time.</p>	

Agency No. 502  
**Board of Barber Examiners**

<b>Finding 3-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>	
Improve controls over travel vouchers.		
Recommendation	Status Reported by Agency	
Ensure that travel vouchers are in compliance with all state travel regulations.	Status as of 6/30/98: <b>IMPLEMENTED</b>	Target Date: 9/1/97
Use the Comptroller's Mileage Guide in determining mileage between cities.	Status as of 6/30/98: <b>IMPLEMENTED</b>	Target Date: 9/1/97
Have governing board members sign their individual travel vouchers after reviewing them for accuracy.	Status as of 6/30/98: <b>IMPLEMENTED</b>	Target Date: 9/1/97
Ensure segregation of duties in entering and releasing travel vouchers into USAS.	Status as of 6/30/98: <b>IMPLEMENTED</b>	Target Date: 9/1/97
<p><u>Management's Response from Original Report:</u></p> <p><i>All travel vouchers will be carefully processed and checked by appropriate agency accounting/management staff to adhere with all state travel regulations.</i></p> <p><i>Beginning FY98 all travel vouchers have been processed using the Comptroller's on-line mileage guide.</i></p> <p><i>Upon initial presentation of this finding, policy was changed and board members have not signed blank travel vouchers since that time. All vouchers are filled out by agency accounting personnel and are then submitted to board members for review. No travel voucher is processed until the payee has first been given the voucher to review and has signed the voucher after it has been filled out.</i></p> <p><i>It is the intent of the agency to segregate duties of entering and releasing all USAS transactions.</i></p>		

Agency No. 502  
**Board of Barber Examiners**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
Improve policy management.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the governing board develop, distribute, and implement formal policies and procedures to identify responsibilities of the governing board and executive management.	Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 8/31/98  Factors have delayed implementation to allow the new Executive Director to complete development of this priority with the State Board of Barber Examiners.
<i>Management's Response from Original Report:</i>	
<i>The board members will develop, implement, and distribute formal policies and procedures regarding the responsibilities of the board and of executive management.</i>	

Agency No. 503  
**Board of Medical Examiners**

**1998 Small Agency Management Control Audit**

SAO Report No. 98-035, April 1998

<b>Finding 1-A:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Strengthen controls over decentralization of human resource functions.		
Recommendation	Status Reported by Agency	
Develop, implement, and more routinely monitor implementation of agency-wide policies and procedures for human resource management.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 6/1/98</b></p> <p>The agency has held several meetings focusing on human resource issues. These included areas for Job Descriptions, Evaluation, Merit Awards, FLSA, Personnel Files, Hiring, Terminations and NonMonetary Awards. Agency-wide policies have been created for each of these areas. These were developed with input from all agency management. These policies were drafted, discussed, amended, and provided to management in final form. These became operational agency wide on June 1, 1998.</p> <p>Contact: Wallace Lankford, Director of Finance</p>	
Ensure that staff members responsible for human resource functions are adequately trained on human resource processes, policies, and procedures.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 6/1/98</b></p> <p>As noted above, management, including supervisors, were involved in the development of new policies. Staff responsible for payroll, and personnel actions were also involved, particularly with the design of requirements for documenting compliance with the new policies. These policies were implemented on June 1, 1998. Both staff and management involved with human resource issues have now used these procedures.</p> <p>Contact: Wallace Lankford, Director of Finance</p>	
Strengthen planning, coordination, and oversight of prior and planned decentralization of human resource functions.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 6/1/98</b></p> <p>As noted above, policies related to human resource issues were developed with agency wide participation. Based upon our understanding of audit recommendations, strategies to strengthen agency procedures were focused on standardization, consistency, and centralized control. Appropriate and necessary documentation is kept centrally. Checklists have been developed to assure compliance with the developed policies. These policies were implemented on June 1, 1998.</p> <p>Contact: Wallace Lankford, Director of Finance</p>	
<u>Management's Response from Original Report:</u>		
<p><i>An agency wide project has met several times to date. Our managers and supervisors are noting concerns and developing processes to improve our controls and assure greater consistency among our departments. Additional authorization, consistent verification, and centralization of documentation will be implemented to improve this area. The target date for completion of this project is June 1, 1998.</i></p>		

Agency No. 503  
**Board of Medical Examiners**

<b>Finding 1-B</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve Procedures Over Fair Labor Standards Act (FLSA) Administration.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Periodically review the duties and responsibilities of all classified positions to determine the appropriate FLSA exempt or nonexempt status.	<p>Status as of 6/30/98: <b>IMPLEMENTED by 6/30/98</b></p> <p>As part of the effort to strengthen human resource areas, new job descriptions for all staff have been rewritten. In addition, Regulation 541 from the U.S. Department of Labor was obtained for understanding exempt or nonexempt Classifications. An agency guideline has been written and provided to agency management. Departmental managers are in the process of using this guidance together with the newly rewritten job descriptions to make appropriate determination of the status of these job positions. Completion date is prior to June 30, 1998.</p> <p>Contact: Wallace Lankford, Director of Finance</p>
Maintain and monitor documentation to support FLSA determinations	<p>Status as of 6/30/98: <b>IMPLEMENTED by 6/30/98</b></p> <p>Documentation of decisions regarding determination of exempt or nonexempt status will be kept in our personnel office, together with the job descriptions for each job position. This will also be completed prior to June 30, 1998.</p> <p>Contact: Wallace Lankford, Director of Finance</p>
<p><u>Management's Response from Original Report:</u></p> <p>Each department is now analyzing the job descriptions of their personnel to make decisions regarding the FLSA status for each position. These will be documented and this documentation will be centrally located by June 1, 1998.</p> <p>Due to the difficulty of this area, we have discussed the issue with several other agencies. inconsistency among these agencies appears to be the rule. A need exists for simple guidance that would generally be applicable to most agencies. This would assist our decision-making, and assure greater consistency statewide and within each individual agency. The State Auditor could be a tremendous resource in this area.</p>	

Agency No. 503  
**Board of Medical Examiners**

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Maintain Employee Selection Documentation.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the Board keep all documentation relating to the employee selection process as required by law.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 6/1/98</p> <p>New policies have been implemented for hiring new personnel. A checklist has been designed to provide greater assurance that documents are obtained for safekeeping, to verify that consistency exists for choosing candidates, and that criteria for the selection is maintained for retention purposes. This process was started on June 1, 1998.</p> <p>Contact: Wallace Lankford, Director of Finance</p>
<i>Management's Response from Original Report:</i>	
<p><i>Brief training has already been provided supervisors to address this issue. We are now assuring that interview checklists are being used both for interviews as well as for hiring decisions. This documentation is collected centrally before an offer of employment can be made. Implementation of this process will be finalized by June 1, 1998.</i></p>	

Agency No. 503  
**Board of Medical Examiners**

<b>Finding 1-D:</b>  Improve the performance appraisal process.	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Revise procedures to use appraisal criteria specific to the job position being evaluated.	Status as of 6/30/98: <b>IMPLEMENTED as of 6/1/98</b> As noted above, part of the changes implemented were rewriting job descriptions, specific to each unique job position. Management meetings, described above, determined that a standard five point scale be used to rank performance. This scale is applied to the actual job description, which lists the primary and significant job responsibilities for the position. This provides greater assurance that the actual job functions are being evaluated more objectively. This procedure was implemented on June 1, 1998.  Contact: Wallace Lankford, Director of Finance
Provide guidelines and specific examples to evaluators to ensure consistency in employee appraisals.	Status as of 6/30/98: <b>IMPLEMENTED as of 6/1/98</b> Several example employee appraisal instruments, including that of the State Auditor, were used to analyze and improve our appraisal process. The job descriptions have been written with attention to acceptable levels of performance. These were placed in use for new evaluations beginning on June 1, 1998.  Contact: Wallace Lankford, Director of Finance
<u>Management's Response from Original Report:</u>  <i>Part of the project to improve the Human Resource area by June 1, 1998, has been directed at the evaluation process. Evaluation procedures and documents have been shared by the Board of Nurse Examiners, Office of the State Auditor, and Comptroller of Public Accounts. It is anticipated that some adaptation of the processes used by these three agencies will be used to change our instrument and process. The evaluations will become more specific to job descriptions. These descriptions are also being rewritten as a result of the audit. Requiring the evaluations to be more specific and directly related to different job positions should force both supervisors and staff to focus on their unique responsibilities.</i>  <i>We are currently using reports provided by the Uniform Statewide Payroll/Personnel System (USPS) to provide advance notification of scheduled times for 12 month evaluations. This will provide assistance to assure timely evaluations.</i>	

Agency No. 504  
**Board of Dental Examiners**

**1997 Small Agency Management Control Audit**

SAO Report No. 97-086 , August 1997

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Policies and procedures related to case resolutions and complainant notifications are not enforced.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Establish time requirements for case investigations.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/14/98</p> <p>As part of the process to improve procedures for resolution of cases, complaint categories were redefined and simplified to comply with requirements of the Dental Practice Act and Board Rules. These were approved at the Board Meeting on June 5, 1998. Time lines are being re-evaluated as they apply to particular violations. Complaint notifications are sent in a timely manner.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>Time requirements were self-imposed, not statutory. Newly appointed Director of Enforcement (July 1997) is re-evaluating time lines with the General Counsel and the Executive Director.</p>
<i>Management's Response from Original Report:</i>	
<i>Time lines are being evaluated. Measures are being implemented to reduce backlog and streamline process.</i>	

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Licensing and Examination division's policies and procedures manual lacks sufficient detail to provide useful guidance for employees.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Board should ensure that the Licensing and Examination division's policies and procedures manual is updated and that it addresses all policies and procedures currently in place. The board should ensure that division staff, including division director, has input in updating the manual.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>

Agency No. 504  
**Board of Dental Examiners**

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Licensing and Examination division's policies and procedures manual lacks sufficient detail to provide useful guidance for employees.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><u>Management's Response from Original Report:</u></p> <p><i>More detailed procedures for each function within the Licensing and Examinations Division will continue to be developed. Targeted completion of this project will be December 31, 1997, primarily because the Division will be installing a new automated licensing and registration system and most automated procedures will have to be developed on a "trial and error" basis. Each staff member of the division will be documenting his/her respective procedures and will submit them for review to the director of Licensing and Examinations by December 15, 1997.</i></p>	

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board does not comply with requirements for Licensing Agencies.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Board should include a statement on license renewal applications indicating that failure to repay a guaranteed student loan is grounds for not renewing a license.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of January 1998</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The Division of Licensing and Examinations will amend the licensure letter to applicants for Initial licensure to include notice that persons in default of guaranteed student loans will not be allowed to be licensed with the SBDE until a Repayment Agreement has been approved by the Texas Guaranteed Student Loan Corporation (TGSLC) or the loan has been repaid. Additionally, the division will amend its annual renewal notice to include a notice that failure to repay a guaranteed student loan is reason for not renewing a license and that renewal will not occur until a Repayment Agreement has been approved by the TGSLC or the loan has been repaid</i></p>	

Agency No. 504  
**Board of Dental Examiners**

<b>Finding 2:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Exam procedures are weak.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Update Nitrous Oxide Monitoring Exam.	Status as of 6/30/98: <b>IMPLEMENTED</b> as of 3/27/98      Target Date: 4/1/98  Board approved new exam at the March 27, 1998 Board Meeting.  <u><b>Implementation History</b></u>  Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target date: 4/1/98  Prior to audit, the Board's Examination Committee already was reviewing for possible updates to the exam. An updated exam will be presented to the Board at the March '98 meeting.	
<i>Management's Response from Original Report:</i>		
New exam being developed, continuing exam renovation project started in 1996.		

<b>Finding 3:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Human Resource policies and procedures need to be improved.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Update the current Americans with Disabilities Act (ADA) policy to ensure that the grievance procedure identifies the elements which need to be included in a written complaint and a statement of non-retaliation.	Status as of 6/30/98: <b>IMPLEMENTED</b> as of 3/27/98  Personnel Manual was updated to reflect this change and was presented to the Board at the March 27, 1998 Board Meeting	
Document and maintain criteria on hiring procedures on all applicants and not just applicants selected for interviews. The board should also ensure that documentation supporting the grades given to applicants is maintained.	Status as of 6/30/98: <b>IMPLEMENTED</b> as of March 1997	

Agency No. 504  
**Board of Dental Examiners**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Human Resource policies and procedures need to be improved.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Strengthen controls over personnel actions by ensuring that personnel action forms are prepared (and approved prior to the effective dates of promotions, merit increases and merit decreases.	Status as of 6/30/98: <b>IMPLEMENTED</b> as of September 1997
<i>Management's Response from Original Report:</i>	
<p><i>The SBDE is updating its Personnel Manual. Pursuant to the American with Disabilities Act, the update will include (1) a grievance procedure that identifies the elements which need to be included in a written complaint and (2) a statement of non-retaliation.</i></p> <p><i>The SBDE has a hiring selection procedure in place. However, the SBDE will revise its procedure to make sure the screening form is used by all Division Managers when screening applicants and that documentation is maintained on the criteria used to grade all applicants.</i></p> <p><i>The SBDE is updating its Personnel Performance Evaluation Program. Pursuant to this update, all division managers will be required to submit personnel Evaluations Forms to the Executive director 30 days before the due date.</i></p>	

Agency No. 507  
**Board of Nurse Examiners**

**1998 Small Agency Management Control Audit**

SAO Report No. 98-035, April 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Board did not meet statewide HUB goals for fiscal years 1996 and 1997.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Continue to meet statewide HUB goals.	Status as of 6/30/98: <b>IMPLEMENTED as of 2/1/98</b>  Agency Purchaser has identified additional HUB sources to utilize in more areas of agency purchasing.  Contact: Mark W. Majek, Director, Administrative Services
<i>Management's Response from Original Report:</i>	
The Board has intensified its efforts to meet the statewide HUB goal for this biennium.	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Board did not compile and maintain monthly information relating to its use of HUBs, including information regarding subcontractors and suppliers. The Board did not estimate the total value of contract awards expected for fiscal year 1997 by the 60th day of the fiscal year.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Maintain monthly rather than quarterly information relating to the use of HUBs. Calculate the expected awards of HUBs by the 60th day of the fiscal year.	Status as of 6/30/98: <b>IMPLEMENTED as of 2/1/98</b>  The Board went back to the beginning of fiscal year 1998 and recorded monthly HUB use and has done so since 2/1/1998.  The Board's Purchaser has been assigned the duty of estimating the awards to HUBs and will do so by the due date of each fiscal year.  Contact: Mark W. Majek, Director, Administrative Services
<i>Management's Response from Original Report:</i>	
Although we did not maintain monthly reports, the Board did maintain quarterly reports of HUB usage. We will begin estimating the total value of contract awards expected for fiscal years 1998/99.	

**Agency No. 507**  
**Board of Nurse Examiners**

<b>Finding 3:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
The Board did not include the HUB subcontracting language in its bid and contract documents of the Peer Assistance Review Program.			
Recommendation	Status Reported by Agency		
Ensure that contracts include the required subcontractor HUB language and that contractors comply with state guidelines on purchases from HUBs.	Status as of 6/30/98: PARTIALLY IMPLEMENTED	Target Date: 8/31/98	
	We are currently revising the Peer Assistance Program Contract. Target date for implementation is 8/31/98.		
	Will include HUB subcontractor language in future agency contracts.		
<u>Management's Response from Original Report:</u>			
<i>The Board will include HUB subcontractor language in agency contracts. We are currently completing this process with the Peer Assistance Program contract.</i>			

Agency No. 513  
**Funeral Service Commission**

**1998 Small Agency Management Control Audit at the Texas Funeral Service**  
 SAO Report No. 98-035, April 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: OTHER</b>
The Commissioners' actions did not comply with laws and Commission policies.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the Commissioners improve compliance with state laws and policies to support a strong control environment.	Status as of 6/30/98: <b>OTHER</b> <span style="float: right;">Target Date: 10/8/98</span> (Addressed at May 7th meeting for full action by Board) The audit report, issued in April 1998, was presented to the Commission meeting. The Commission discussed the report and determined that they would take the necessary actions to improve their compliance with state laws and policies. The next Commission meeting is scheduled for the October 1998.
The Commissioners should develop and implement clear policies on the complaint resolution process and the refunding of fees.	Status as of 6/30/98: <b>OTHER</b> <span style="float: right;">Target Date: 10/8/98</span> (Addressed at May 7th meeting for full action by Board) The audit report, issued in April 1998, was presented to the Commission at the May 1998 Commission meeting. A draft of all new rules pertaining to audit issues shall be complete by the October 1998 meeting at which time these rules shall be open for discussion and/or adoption.
<i>Management's Response from Original Report:</i>	
<p><i>The Commission will draft a new rule that addresses policy for Commissioners participating in Complaint Review Committee (CRC) matters and overall operations. The Commission will draft a new rule regarding refunds of license fees. Additionally, the Commission will amend its by-laws to incorporate a statement on Conflict of Interest and Public Perception regarding Commissioners' Involvement in issues of Compliance. The Commission will begin to address the above during its meeting in May 1998 and will implement these by the start of Fiscal Year, 1999. The Commission will pursue and follow diligently all rules and laws (established criteria) pertaining to the Exit Interview Process so as to ensure that the favoritism cannot be perceived.</i></p>	

Agency No. 513  
**Funeral Service Commission**

**1998 Small Agency Management Control Audit at the Texas Funeral Service**  
 SAO Report No. 98-035, April 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: OTHER</b>
The Commissioners' actions did not comply with laws and Commission policies.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend that the Commissioners improve compliance with state laws and policies to support a strong control environment.	Status as of 6/30/98: <b>OTHER</b> <span style="float: right;">Target Date: 10/8/98</span> (Addressed at May 7th meeting for full action by Board) The audit report, issued in April 1998, was presented to the Commission meeting. The Commission discussed the report and determined that they would take the necessary actions to improve their compliance with state laws and policies. The next Commission meeting is scheduled for the October 1998.
The Commissioners should develop and implement clear policies on the complaint resolution process and the refunding of fees.	Status as of 6/30/98: <b>OTHER</b> <span style="float: right;">Target Date: 10/8/98</span> (Addressed at May 7th meeting for full action by Board) The audit report, issued in April 1998, was presented to the Commission at the May 1998 Commission meeting. A draft of all new rules pertaining to audit issues shall be complete by the October 1998 meeting at which time these rules shall be open for discussion and/or adoption.
<u><i>Management's Response from Original Report:</i></u>	
<p><i>The Commission will draft a new rule that addresses policy for Commissioners participating in Complaint Review Committee (CRC) matters and overall operations. The Commission will draft a new rule regarding refunds of license fees. Additionally, the Commission will amend its by-laws to incorporate a statement on Conflict of Interest and Public Perception regarding Commissioners' involvement in issues of Compliance. The Commission will begin to address the above during its meeting in May 1998 and will implement these by the start of Fiscal Year, 1999. The Commission will pursue and follow diligently all rules and laws (established criteria) pertaining to the Exit Interview Process so as to ensure that the favoritism cannot be perceived.</i></p>	

Agency No. 517  
**Commission on Alcohol and Drug Abuse**

**An Audit Report on Performance Measures at 26 State Agencies**  
 SAO Report No. 97-077, August 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Source documentation was unavailable for calculation and testing on two key measures:</p> <ul style="list-style-type: none"> <li>• <i>Total Number of Grants and Contracts Awarded</i></li> <li>• <i>Percentage of Prevention and Treatment Programs in Compliance With Federal Mandates.</i></li> </ul>	
Recommendation	Status Reported by Agency
<p>Retain proper documentation for calculating and reporting measures.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98</p> <p>Received a number of new measures as well as the deletion of some existing measures by the LBB. Refined methodology on a number of measures to ensure reliability.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED Target Date: 9/1/98</p> <p>Review of all measures being conducted. Emphasis placed on documentation and adherence to ABEST calculation statement.</p> <p>Contact: Dr. Richard Spence.</p>
<p>Add field in new tracking system to track edits and changes in the system.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>New MIS system contains a "History" field which reveals the dates of all changes and edits in the system.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED Target Date: 9/1/98</p> <p>Field has been added. TCADA will check throughout FY98 to ensure MIS data match paper files.</p> <p>Contact: Dr. Richard Spence.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree the Commission's present system does not retain the date history.</i></p> <p><i>The new information system design includes this feature and will allow for past quarterly award totals to be tested and confirmed.</i></p>	

Agency No. 554  
**Animal Health Commission**

**1998 Small Agency Management Control Audit**

SAO Report No. 98-035, April 1998

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission does not always approve contracts before the work begins on them.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Approve contracts before the work begins on them.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 6/28/98</b></p> <p>Verified by Internal Audit on 6/28/98.</p> <p>TAHC Purchaser has a tickler system for contract renewals that is set up on an excel spreadsheet and meeting maker. It informs the Purchaser two months prior to contract expiration for the assurance that contact approval is received prior to starting work, regardless of their source or dollar amount. Additionally, most all contract expiration dates have been changed to end on August 31, except contracts related to the building lease.</p> <p>Financial Services Department contact to the Treasury was 3/30/98.</p>	
<i>Management's Response from Original Report:</i>		
<p><i>Four of the five contracts in question were interagency contracts that are initiated by the agency providing services. The Texas Animal Health Commission (TAHC) had very little control over when those contracts would be received. In the future TAHC will begin the renewal process earlier and will make every effort to obtain the contracts in advance. The fifth contract was an extension of a service contract that was originally purchased through General Service's open market bid along with the equipment that it services. The service contract has automatic renewals. In this particular case, the renewal agreement was signed after the date of the renewal period.</i></p>		

Agency No. 554  
**Animal Health Commission**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission is not in compliance with Section 404.094 of the Government Code.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Make all deposits within the required three days.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 3/30/98</p> <p>Verified by Internal Audit on 6/18/98.</p> <p>(Sample of 17 deposits taken by TAHC Internal Auditor on 06-18-98).</p> <p>Took a new sample of 17 deposits from months of March, April, and May 1998. 11 of 17 deposits were received by the State Treasury within the required 3 business days. The remaining 6 deposits were in excess of 3 business days as per the Treasury receipt, although the Agency release date into USAS was within the required 3 days. TAHC Financial Services Department contacted the Treasury concerning establishing a lock box for these receipts. The Treasury determined that this would not be cost effective due to the small volume of checks and dollar amounts involved. Further, it was not cost effective to have Agency staff personally deliver these funds from far north Austin to the Treasury located downtown. TAHC Financial Services Department has been instructed to use regular mail (rather than interagency mail) to send deposits to the Treasury.</p> <p>Financial Services Dept. contact to the Treasury was 3-30-98.</p>
<i>Management's Response from Original Report:</i>	
The responsibility for depositing cash receipts has been reassigned to an employee in the Financial Services Division. Please note that TAHC handles less than \$30,000 each year in cash receipts.	

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Executive Director did not have a timely performance evaluation.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure that all employees, including the Executive Director, receive an annual performance evaluation.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> Target Date: 02/18/98</p> <p>The performance evaluation of the Executive Director was completed by a committee composed of TAHC Commissioners on February 18, 1998.</p>
<i>Management's Response from Original Report:</i>	
The performance evaluation of the Executive Director was completed by a committee composed of the Commissioners on February 18, 1998.	

Agency No. 554  
**Animal Health Commission**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Commission has developed and implemented policies and procedures for the travel and purchasing functions. The Commission is in the process of developing policies and procedures for payroll, cash disbursements, and cash receipts. No policies or procedures have been developed for fixed assets.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop and/or implement policies and procedures for payroll, cash disbursements, cash receipts, and fixed assets.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 09/01/98</p> <p>Implementation Verification and Date</p> <p>Reviewed each Policy and Procedure during June 1998.</p> <p>The Payroll, Cash Receipts and Cash Disbursements Policy and Procedures has been approved and distributed. The Fixed Asset Policy and Procedure is in draft form as of 6-24-98, and approval and distribution is expected by 9-1-98.</p> <p>09-01-98 for Fixed Asset Policy. Other Policy was April 1998 and prior.</p>
<p><i>Management's Response from Original Report:</i></p> <p>The payroll policy was approved and distributed on March 9, 1998. The cash disbursement policy was approved and distributed on February 9, 1998. The cash receipts policy was approved in September 1997 and distributed to all staff services and financial services employees. It is being revised and will be redistributed April 1998. The fixed assets policy is scheduled to be completed by fiscal year-end.</p>	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Commission has not yet performed a risk analysis of its automated systems.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Perform a risk analysis of its automated systems.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 07/31/98</p> <p>Implementation Verification and Date</p> <p>The TAHC Internal Auditor attended these meetings as a resource person. (Ongoing).</p> <p>The risk analysis is being performed by a TAHC employee who has been assigned to this project. The risk analysis is in the final stages of completion. It will be submitted to the Executive Director for review during July 1998.</p> <p>09-01-98 for Fixed Asset Policy. Other Policy was April 1998 and prior.</p>
<p><i>Management's Response from Original Report:</i></p> <p>The agency is considering outsourcing the risk analysis and has contacted the Department of Information Resources (DIR) for assistance. We have begun the bid taking process and expect to have a risk analysis completed by the end of the fiscal year.</p>	

Agency No. 554  
**Animal Health Commission**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission has not documented a security plan or a disaster recovery plan.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop and implement a security plan that includes disaster recovery and specifies physical controls over computer operations	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 08/31/98  Once the Executive Director reviews the Risk Analysis Report and makes the necessary decisions related to security issues, a security plan will be formulated. Completion of the Security Plan is still expected by fiscal year end.
<i>Management's Response from Original Report:</i>	
<i>The agency is considering outsourcing the development of a disaster recovery plan and the security plan, along with risk analysis and has contacted the Department of Information Resources (DIR) for assistance. We have begun the bid taking process and expect to have a security plan and a disaster recovery plan completed by the end of the fiscal year.</i>	

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission has not developed a log track the establishment and modification of user accounts.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop a log to track the establishment and modification of user accounts.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: Ongoing  Partially implemented: The Agency has developed a FileMaker Pro database that is used to track the establishment and modification of user accounts for all agency systems.  Due to the lack of an overall automated security system for the client/server environment, a compensating control will be periodic audits by the I.R. staff who are responsible for changes to the system. The periodic audits are to ensure that no unauthorized changes have been made. Also, the TAHC Internal Auditor will be utilized to perform some of the aforementioned periodic audits.
<i>Management's Response from Original Report:</i>	
<i>The Commission has developed a FileMaker Pro database that is used to track the establishment and modification to user accounts for all agency systems. The agency will work with the State Auditor's Office to ensure that this meets the requirements.</i>	

Agency No. 554  
**Animal Health Commission**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The commission has not developed an automated log that provides an audit trail for access and changes to data.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop an automated log within newly developed systems that provides an audit trail for access and changes to data.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 08/31/98  The Agency is still on track to incorporate automated logs into the Inventory and Human Resources Systems by fiscal year end.
<i>Management's Response from Original Report:</i>	
The Commission has developed a FileMaker Pro database that is used to track the establishment and modification to user accounts for all agency systems. The agency will work with the State Auditor's Office to ensure that this meets the requirements.	

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The commission has not developed an employee security profile for each employee.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop and maintain security profiles for each employee.	Status as of 6/30/98: <b>IMPLEMENTED</b>  The Commission will implement on June 30, 1998, a FileMaker Pro database that will track employee security profiles.
<i>Management's Response from Original Report:</i>	
The Commission is developing an Excel spreadsheet that tracks by position type, system access, and level of access. The Commission will then develop a FileMaker Pro database that will be used to track employee security profiles by June 1998. The Commission will also continue to investigate automated solutions available for the client server environment, but all such solutions are still in their infancy at this time.	

Agency No. 554  
**Animal Health Commission**

<b>Finding 10:</b>		<b>Overall Status as of 6/30/98: NO ACTION TAKEN</b>	
<p>The Commission completed the cost-benefit analysis and decided it was not cost-effective. The Commission needs to implement controls to compensate for the programmer having access to "live" programs. In addition, the Commission needs to develop formal policies and procedures that include the controls over its management information systems.</p>			
Recommendation	Status Reported by Agency		
<p>Because the Commission decided implementing the controls was not cost effective, the Commission should implement compensating controls to minimize the risks associated with such data.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b>                      Target Date: Ongoing</p> <p>TAHC does not have a full time programmer on staff. The Database Administrator (DBA) spends approximately 5-10% of time coding. The DBA is responsible for changes to the FoxPro application (the Area Office System (AOS), Herd Database). While the Agency could ensure that another I.R. Dept. employee moves the FoxPro programs into production, no I.R. staff person would be able to review the code. The Agency has determined it is not cost effective to hire an additional I.R. staff person with the skills necessary to review the code. The risk to the data and programs is minimal. The data resides in various locations: (1) each area office has their database and data; (2) the DBA maintains a statewide compilation of all data; and (3) the composite data is also bulk-copied into Sybase. Therefore, if data at the Area level was corrupted or otherwise destroyed, we would have not only the back-ups of the data, but the statewide and Sybase versions of the data. For FileMaker Pro development, we will ensure that the I.R. staff person who creates an application is not the same staff person that puts the system into production. The creator will have his work reviewed by the I.R. staff person that puts the system into production.</p>		
<p><u>Management's Response from Original Report:</u></p> <p><i>Controls will be implemented to ensure that the employee who creates a system is different from the employee who puts the system into production. The agency will request assistance from the State Auditor's Office to develop formal policies and procedures that include the controls over its management information systems.</i></p>			

Agency No. 554  
**Animal Health Commission**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission has no documentation for application design and development, programming standards, and standards and guidelines for data entry and data modification.	
Recommendation	Status Reported by Agency
Maintain documentation on application design and development, programming standards, and standards and guidelines for data entry and data modification.	<div style="display: flex; justify-content: space-between;"> <span>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b></span> <span>Target Date: Ongoing</span> </div> <p>The Agency has provided the SAO with a copy of its documentation for application design and development entitled "Managing an Information Technology Project." The SAO is reviewing and will provide the TAHC with any suggested additions to the manual. The Agency will begin work on programming standards during the month of July 1998. The Agency has developed standards and guidelines for data entry and data modification for its SIROD System (compliance system). Work on the user's manual for the AOS—Herd Database got underway during the month of May 1998 with the recent hire of a new I. R. Department employee.</p>
<i>Management's Response from Original Report:</i>	
<i>The documentation for application design and development is DIR's "How to Manage an Information Technology Project," which has been adapted for the TAHC. Documentation for programming standards and standards and guidelines for data entry and data modification are scheduled to be developed over the next two years.</i>	

Agency No. 556  
**Texas Agricultural Experiment Station**

**An Audit Report on Performance Measures at 26 State Agencies**

SAO Report No. 97-077, August 1997

<p><b>Finding 1:</b></p> <p>Source documentation was not available for calculation and reporting, and the definition was not being followed for two key measures:</p> <ul style="list-style-type: none"> <li>• <i>Number of Refereed Publications (strategy: conduct research to protect water, air and soil bio-diversity)</i></li> <li>• <i>Number of Refereed Publications (strategy: conduct research of product safety, nutrition and quality)</i></li> </ul>	<p><b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b></p>						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%; text-align: center;">Recommendation</th> <th style="text-align: center;">Status Reported by Agency</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <p>Download the 5-year plan database at fiscal year-end to disk or tape.</p> </td> <td style="vertical-align: top;"> <p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>5-year plan database will be downloaded at the fiscal year end of FY 1998.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 9/1/97</p> <p>5-year plan database will be downloaded at fiscal year end.</p> </td> </tr> <tr> <td style="vertical-align: top;"> <p>Work with the Legislative Budget Board to revise the measure definition to allow to report what station is capable of reporting.</p> </td> <td style="vertical-align: top;"> <p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Measure definition has been changed to non-cumulative for FY98.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 9/1/97</p> <p>Measure definition has been changed to non-cumulative as of 9/1/97.</p> <p>Contact: Fred Clark, Budget and Reporting Coordinator</p> </td> </tr> </tbody> </table>	Recommendation	Status Reported by Agency	<p>Download the 5-year plan database at fiscal year-end to disk or tape.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>5-year plan database will be downloaded at the fiscal year end of FY 1998.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 9/1/97</p> <p>5-year plan database will be downloaded at fiscal year end.</p>	<p>Work with the Legislative Budget Board to revise the measure definition to allow to report what station is capable of reporting.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Measure definition has been changed to non-cumulative for FY98.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 9/1/97</p> <p>Measure definition has been changed to non-cumulative as of 9/1/97.</p> <p>Contact: Fred Clark, Budget and Reporting Coordinator</p>	
Recommendation	Status Reported by Agency						
<p>Download the 5-year plan database at fiscal year-end to disk or tape.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>5-year plan database will be downloaded at the fiscal year end of FY 1998.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 9/1/97</p> <p>5-year plan database will be downloaded at fiscal year end.</p>						
<p>Work with the Legislative Budget Board to revise the measure definition to allow to report what station is capable of reporting.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Measure definition has been changed to non-cumulative for FY98.</p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 9/1/97</p> <p>Measure definition has been changed to non-cumulative as of 9/1/97.</p> <p>Contact: Fred Clark, Budget and Reporting Coordinator</p>						
<p><u>Management's Response from Original Report:</u></p> <p><i>Management's Response</i></p> <p><i>SAS program has been corrected.</i></p> <p><i>Procedure to download data files used for future recalculations has been changed.</i></p> <p><i>Will request that this number be a non-cumulative and therefore not a quarterly issue. (Information is provided on a quarterly basis, but as an estimate of the actual yearly number by quarter)</i></p>							

Agency No. 556  
**Texas Agricultural Experiment Station**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p><i>Definition was not followed and adequate source documentation was not available for recalculation, selecting, and testing sample on the key measure "percentage of product labels inspected.</i></p>	
Recommendation	Status Reported by Agency
<p>Implement procedures to determine the number of label reviews (in-house) that will be used for future years instead of historical data.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p><u>Implementation History</u></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED Target Date: 9/1/98 Effective 9/1/98 LBB has approved changes in the output measures beginning in FY99. For the fiscal year 2000 &amp; 2001 the bill will reflect these revised output measures.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Management's Response</i></p> <p><i>Product labels inspected is defined as the total number of investigator samples taken during the fiscal year plus the number of product labels reviewed and added to the data base by the registration department for the fiscal year.</i></p> <p><i>There is presently no "computerized testing of all labels available."</i></p> <p><i>The number of label reviews (in-house) would be difficult to determine except based on historical data.</i></p> <p><i>Controls are already in place to ensure the accuracy of the investigator input of data.</i></p> <p><i>The revised definition for this measure is "percent of product labels inspected to total number of active products on file."</i></p>	

Agency No. 580  
**Water Development Board**

**An Audit Report on Management Controls at the Texas  
 Water Development Board**

SAO Report No. 98-011, January 1998

<b>Finding 1-A, 1-B:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
1-A: Some key information needs not met		
1-B: Investment in information resources not adequately protected		
Recommendation	Status Reported by Agency	
<p>The Resource Information Office should conduct information systems planning, prioritize development projects, and establish additional controls, standards, and procedures. Emphasis should be on major projects, such as the Financial Information System and the Project Tracking System. Automation improvements are needed in accounting and budgeting.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b></p> <p>This recommendation has resulted in a broad range of activities. We would like to work with SAO to develop a tracking and verification methodology.</p> <p>In addition to on-going responsibilities relative to supporting agency operations, DIR reporting, and the implementation of Senate Bill 1 initiatives, RIO has done the following:</p> <p>5) Developed new:</p> <ul style="list-style-type: none"> <li>• <i>PC hardware/software purchase standards and a recommended package of products to meet this standard; Completed 5/12/98</i></li> <li>• <i>Application proposal, review, and development standards; Completed 3/15/98</i></li> <li>• <i>Customer Support policies and procedures; Drafted 10/14/97</i></li> <li>• <i>Network Management policies and procedures; Drafted 2/9/98</i></li> </ul> <p>5) Fostered improved communication between agency staff on IR issues by: having weekly meetings on IR related issues (called TSD Reports); On-going: Started 10/14/97.</p> <p>5) Fostering coordination of employees using Geographic Information Systems (GIS); On-going: Started 11/3/97.</p> <p>5) Chartering a cross-functional Primary Database Architecture team to foster better integration of agency data resources; Completed: 5/28/98</p> <p>5) Focused efforts on the applications listed by:</p> <ul style="list-style-type: none"> <li>• <i>Developing Gantt charts, conceptual models, and providing consultation on the Financial Information System (FIS); On-going: Started 12/18/97</i></li> <li>• <i>Guiding agency-wide use of address information maintained in the Project Tracking System (PTS) and otherwise extending the usefulness of the PTS data model; On-going: Started 1/15/98</i></li> <li>• <i>Conducting a detailed analysis of the potential acquisition of a new Budget and Accounting system software; 6/22/98</i></li> </ul>	

Agency No. 580  
**Water Development Board**

<b>Finding 1-A, 1-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
1-A: Some key information needs not met	
1-B: Investment in information resources not adequately protected	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
	6) Developing: <ul style="list-style-type: none"> <li>• An internet team charter (to foster improved understanding and use of the Internet); Drafted 5/28/98</li> <li>• GIS use procedures; Drafted 4/12/98</li> <li>• Microsoft Office Migration Plan; Drafted 4/17/98</li> <li>• Intranet guidelines; Drafted 6/9/98</li> <li>• Regarding FIS, beta testing actual data and debugging the programs are currently occurring; 11/1/98 (an estimate of 60-90 days after debugging).</li> </ul> Contact: Resource Information Office, Roddy Seekins
<i>Management's Response from Original Report:</i>	
For the most part, the assessments in this section are correct.	

<b>Finding 2-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Some accounting transactions are incorrect.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure that accounting entries for lapses, budget adjustments, and Unexpended Balance carryovers are correctly entered into USAS.	Status as of 6/30/98: <b>IMPLEMENTED</b>  We changed the way transactions are entered on USAS starting 9/1/97.  Contact: Office of Admin. & Support Services, Patricia Todd
<i>Management's Response from Original Report:</i>	
Concur with recommendation statement.	

Agency No. 580  
**Water Development Board**

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Board should use its authority to promote consistency and a level playing field.	
Recommendation	Status Reported by Agency
Provide a governance model for regional planning groups.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The "Model" bylaws were distributed to Regional Water Planning Groups on 3/11/98. The groups are to consider these when they adopt their by-laws.</p> <p>Contact: Office of Planning, Dr. Tommy Knowles</p>
<i>Management's Response from Original Report:</i>	
Concur with recommendation.	

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Uncertainties over data may require planning milestones and a more explicit decision-making structure	
Recommendation	Status Reported by Agency
Establish timelines and criteria for resolution of conflicting demographic data.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>    Target Date: 7/31/98</p> <p>By 5/29/98, draft guidelines were distributed to Regional Water Planning Groups. They have been mailed to RWPG for review and comment by 5/29/98. Groups will have 30 days to provide comments. Guidelines will be finalized and distributed to RWPGs by 7/31/98.</p> <p>Contact: Office of Planning, Dr. Tommy Knowles</p>
<i>Management's Response from Original Report:</i>	
Agree with recommendations.	

Agency No. 580  
**Water Development Board**

<b>Finding 3-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Criteria for approval and consistency review of local and regional plans may require clarification	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Clarify the consistency review process and criteria for accepting regional plans.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Rules adopted on 2/19/98 addressed the issues and clarify the extent to which unmet needs may be included in an approved water plan. Other aspects of recommendation regarding requiring consistency determination are not authorized in Senate Bill 1.</p> <p>Contact: Office of Planning: Dr. Tommy Knowles</p>
<i>Management's Response from Original Report:</i>	
TWDB is authorized to review consistency between regions but not within a region.	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Engineering review and construction monitoring should target the highest design and construction risk.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Engineering review and construction monitoring should target the highest design and construction risk.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/98</span></p> <p>We have modified the unscheduled inspection report to include identification of problem projects to begin data collection of high risk profile projects (December 1997). We have begun programming of change order "reason" information (March 1998) with an expected completion date of September 1998. Information will be used to identify characteristics of high risk projects and feedback into the design review process. We have coordinated and propose to implement (July 1998) a "high confidence" review agreement with San Antonio. We are in the process of developing a risk ranking procedure to identify additional candidates for abbreviated engineering reviews, with an expected completion date of September 1998. We are continuing to employ informal, abbreviated review decisions based on institutional knowledge of and prior experience with applicants and engineers.</p> <p>Contact: Office of Project Finance &amp; Construction Assistance, Kevin Ward</p>
<i>Management's Response from Original Report:</i>	
Concur with recommendation.	

Agency No. 580  
**Water Development Board**

<b>Finding 5-A:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Recent reorganizations will aid in meeting upcoming challenges.			
Recommendation	Status Reported by Agency		
<p>Monitor the impact of recent reorganization, particularly on specialists such as environmental reviewers and lawyers.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>The recommendation is to monitor so it is ongoing. Structures are in place or being developed to address these issues.</p> <p>OPFCA:  The Center of Excellence has continued to make progress in this area by cataloging procedures and policies for the professions; Financial Analyst and Environmental Reviewers staffing patterns (standard job descriptions, experience requirements and pay scales) have been established as the first step in developing comprehensive career ladder documentation (Feb. 1998); legal staff have started development of a staffing pattern for their career ladder (April 1998).</p> <p>Planning:  Regarding loss of expertise and professional orientation, the planning reorganization is built on having a functional home for staff and they will be assigned on a temporary basis to perform an assignment with a regional team. They will return to the functional organization after the assignment and the supervisor of that functional organization will review their performance, thus ensuring ability to monitor and mitigate any loss of expertise or change in professional orientation.</p> <p>A sub-recommendation involved the potential inconsistency in policy and procedure across regional teams: We have implemented a consistent review list for groundwater management plan certification review and technical review of regional planning grant requests. Rules describing regional water planning were adopted by the Board on February 19, 1998. All questions on rule interpretation are placed in one document and response developed by the Planning Steering Council are also placed in the document that is available for all staff to consult. All contract procedures have been centralized in one unit to ensure consistency. That unit will audit compliance with procedures by the contract managers. The Planning Steering Council meets weekly to review implementation of the planning program to identify and correct any inconsistencies.</p> <p>By August 1, a procedure will be in place to audit project managers actions and completeness of project files related to the regional planning teams.</p> <p>Contact: Office of Project Finance &amp; Construction Assistance, Kevin Ward</p>		
<p><i>Management's Response from Original Report:</i></p> <p>Concur with recommendation.</p>			

Agency No. 580  
**Water Development Board**

<b>Finding 5-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Integration of planning and financing complete.	
Recommendation	Status Reported by Agency
Explore ways to link planning and financial programs.	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b> <span style="float: right;">Target Date: 7/98</span></p> <p>Team to be chartered 7/98.</p> <p>Initial recommendation to be made 9/98. Communication and coordination ongoing thereafter.</p> <p>A cross-divisional team will be formed and chartered to make recommendations on how to better communicate information between the regional water planning areas and the regional project management (financing) team boundaries and Inspection and Field Support Office boundaries.</p> <p>Contact: Project Finance and Construction Assistance, Kevin Ward and Office of Planning, Dr. Tommy Knowles</p>
<i>Management's Response from Original Report:</i>	
Generally, concur. Federal rating systems for financial assistance are not always consistent with long range water development goals.	

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Internal audit function not fully aligned with State's Internal Auditing Act.	
Recommendation	Status Reported by Agency
Ensure administrative compliance with the state Internal Auditing Act.	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b> <span style="float: right;">Target Date:</span></p> <p>Revision and update of the risk assessment is planned for completion by the end of Fiscal Year 1998 (8/98).</p> <p>A revised audit plan for Fiscal Year 1998 has been drafted for Audit Committee approval in 6/98.</p> <p>A peer review has been planned for Spring 1999. Although an internal assessment has been planned for this summer, the actual peer review should wait until the current Director of Internal Audit has had time to complete some audit work. 4/99</p> <p>Future audit reports will state whether the work was performed in accordance with generally accepted government auditing standards.</p> <p>Contact: Shari Daffern, Internal Auditor</p>
<i>Management's Response from Original Report:</i>	
Will revise risk assessment following reorganization. Realistic estimates of completion (of annual audit plan). Peer review has been scheduled. Reports will include a statement indicating conformance with GAAS.	

Agency No. 592  
**Soil and Water Conservation Board**

**1998 Small Agency Management Control Audit**  
 SAO Report No. 98-035, April 1998

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Board has drafted the Reference Guide, "Nonpoint Source Pollution Abatement," for performing annual status reviews. Currently they are in the process of revising these guidelines, and the governing board has not yet formally approved them. In addition to the guidelines, the Board needs to develop detailed procedures for conducting the reviews and for completing the associated evaluation form.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Consider adopting procedures that specifically describe the steps to be performed during annual status reviews of Soil and Water Conservation Districts.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>The "Reference Guide, Nonpoint Source Pollution Abatement" has been revised to include the detailed procedures necessary to conduct the reviews. The Guide is now under executive review and will then be presented to the State Board for formal approval.</p> <p>Contact: Beade Northcut, Conservation Programs Division</p>	
<p><i>Management's Response from Original Report:</i></p> <p>The State Board concurs with the auditor's follow up report. It is anticipated that the document will be presented to the Board for formal approval at the Board's May 1998 meeting.</p>		

<b>Finding 2:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board developed a disclosure statement to be completed by all directors of local soil and water conservation districts participating in the cost-share assistance program. Although management notified the directors in writing of the procedure change, it is not consistently followed.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Develop a disclosure statement to be completed by all Directors of local Soil and Water Conservation Districts participating in the cost-share assistance program.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Contact: Leonard Pletzsch Jr., Accounting Division</p>	
<p><i>Management's Response from Original Report:</i></p> <p>The State Board agrees. All applications for cost-share assistance are now being reviewed as a separate process to determine if the applicant is a district director. Applications by directors will not be processed in Accounting without the disclosure statement.</p>		

Agency No. 592  
**Soil and Water Conservation Board**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Board still needs to develop specific and formal procedures to ensure compliance with the statute requiring agencies to list all job openings with the Texas Workforce Commission.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Board should establish procedures to ensure compliance with the statute requiring all agencies to list all job openings with the Texas Workforce Commission for which persons from outside the agency will be considered.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>The State Board has completed written procedures as recommended. In addition, a quarterly listing of positions posted will be used to verify compliance.</p> <p>Contact: Victoria Gutierrez, Human Resource Division</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The State Board agrees with the recommendation and will continue to formalize its procedures as the auditor recommends, with final implementation to be completed during fiscal year 1998.</i></p>	

Agency No. 655  
**Department of Mental Health and Retardation**

**An Audit Report on Management Controls at Dallas Community Mental Health & Mental Retardation Center**

SAO Report No. 98-005, November 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Board has periodically become involved in the daily functions of the Center rather than participating in its normal capacity as an oversight body, which could render the staff ineffectual on a day-to-day basis.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The members of the Board of Trustees should distance themselves from operational issues and provide the Chief Executive Officer with the support and latitude needed to effectively manage the Center's daily activities.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>To be verified by the Internal Auditor by 7/21/98</p>
<p><i>Board of Trustees' Response from Original Report:</i></p> <p>See next finding for combined responses.</p>	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Relationships between the Board and advocacy groups and between the Board and Center staff are not always positive.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Enhance the Center's public image by consistently building positive and effective relationships with advocates, consumers, and all persons interested in the Center. Additionally, conduct all Board and committee meetings in a way that opens channels of communication and preserves the honor and dignity of all persons involved.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b></p> <p>To be verified by the Internal Auditor by 7/21/98</p>

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Relationships between the Board and advocacy groups and between the Board and Center staff are not always positive.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p><i>Due to a substantial turnover in the Senior Management of the Center and the Center's independent auditors issuing of a management report citing material weakness, the Board of Trustees believed that it was necessary to become more involved in the management of the Center. Since that period, the Senior Management Positions have all been filled. There has been a 55% turnover of Trustees. As a result of the turnover of Trustees, we believe that substantial progress has already been made and that there now exists a spirit of cooperation between the Board of Trustees, the advocacy groups, and the Center staff. Also that the present members of the Board of Trustees are very careful to promote that spirit of cooperation and to maintain the separation between the Board and Staff functions.</i></p> <p><i>Since a majority of Trustees have been appointed subsequent to the major problems cited in your report, we respectfully request that the State Auditor revisit this issue, interview Center staff, advocacy group members and Trustees and read minutes of recent meetings to understand the positive change that has taken place.</i></p>	

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Center has not used its internal audit function effectively, which may increase the risk that material errors and irregularities will occur and not be detected in a timely manner by management. Also, the Internal Auditor is not in compliance with the <i>Standards for the Professional Practice of Internal Auditing</i> .	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Board of Trustees and management should review the concepts of internal auditing in order to develop an understanding of the role of the Internal Auditor. The Board should become more actively involved with the internal audit function.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/31/98</p> <p>The audit committee will be briefed by Deloitte &amp; Touche on internal auditing concepts at their July 98 meeting, and the Internal Auditor has been added to the Board of Trustees Pre-Service Training agenda for the new board members. In addition, the Board will receive monthly "Compliance Updates" from the Internal Auditor in their board packet each month to be reviewed as a briefing item at each board meeting beginning in July 98.</p>
The job description for the Internal Auditor should be revised.	Status as of 6/30/98: <b>IMPLEMENTED</b>

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Center has not used its internal audit function effectively, which may increase the risk that material errors and irregularities will occur and not be detected in a timely manner by management. Also, the Internal Auditor is not in compliance with the <i>Standards for the Professional Practice of Internal Auditing</i>.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Management should promote and support the Internal Auditor's development and adherence to policies and procedures that help ensure compliance with the <i>Standards for the Professional Practice of Internal Auditing</i>.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/31/98</p> <p>Deioltte &amp; Touche will be providing specific one-on-one training for the Internal Auditor as well as other key Fiscal staff members regarding internal auditing concepts, standards, and practices.</p>
<p><i>Management's Response from Original Report:</i></p> <p>Both the CFO and the CEO have issued a memorandum to the Internal Auditor stating that he/she has unrestricted access to the Board of Trustees to report on any findings deemed necessary. Policies and Procedures will be developed outlining Internal Audit's purpose, scope, authority, responsibility, and organizational independence in accordance with the <i>Standards for the Professional Practice of Internal Auditing</i>. The Internal Auditor's job description will be reviewed and revised. There will also be the formation of an audit committee. Implementation should be by January 1, 1998.</p>	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Policies and procedures related to client trust funds, applied income and rent, and Medicaid payments either did not exist or were not being followed, which resulted in overpayments to the Center.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop and enforce policies and procedures regarding accounting for consumer trust funds, applied income and rent, and Medicaid payments.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Verified by B.B. Scott, TDMHMR quality assurance analyst, as of 6/30/98.</p> <p>Policies and procedures regarding accounting for consumer trust funds, applied income and rent, and Medicaid payments have been reviewed revised and implemented. In addition, those policies and procedures specific to consumer trust funds have been revised yet again and rewritten in greater detail in response to the finding of the TDMHMR auditors during their three-day review in April 98. The TDMHMR auditors have agreed, at the request of DCMHMR, to another consultative review in August 98 to assess administration compliance with the HCS and ICF-MR contracts and make recommendations, as needed, to correct any deficiencies found at that time.</p>

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Policies and procedures related to client trust funds, applied income and rent, and Medicaid payments either did not exist or were not being followed, which resulted in overpayments to the Center.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
We will review the policy and procedure for compliance with the performance contract with TXMHMR and Generally Accepted Accounting Principles. Policies and procedures are also being reviewed and updated regarding Applied Income to be implemented by 2/8/98; quarterly reviews.	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Center did not effectively use or analyze available information to support the decisions to purchase two major real estate acquisitions totaling \$2.5 million.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop policies and procedures to guide staff in the purchase of major real estate acquisitions. A needs analysis and/or a cost benefit analysis should be performed prior to any major acquisition. The analysis should include formal input from the Center's staff and management and/or from outside consultants. The preparation of the analysis should be monitored and reviewed for completeness and appropriateness by a knowledgeable management committee.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/31/98</p> <p>A Facilities Acquisition Policy has been drafted but has not been finalized. The Board and management, however, are aware of the necessary procedures as evidenced by the discussion of a proposed lease in the April 1998 Board Meeting Minutes. In addition, future cost benefit analysis prepared in accordance with this policy will be reviewed by the financial Planning and Analysis Core Process Team before submission to the Board.</p>
<i>Management's Response from Original Report:</i>	
The policy and procedures are currently being reviewed to incorporate a Needs Analysis which will include input from the Board of Trustees, the Center's management staff, outside appraisers, architects, and engineers prior to any major acquisition. This will be implemented by 12/31/97.	

**Department of Mental Health and Retardation**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
<p>Our review of selected policies and procedures showed numerous instances of noncompliance. Additionally, we noted several instances where a policy or procedure was not established to address various situations including use of cellular phones and pagers, travel expenses, non-travel advances, leave requests, operating manuals, and investment policy.</p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Reconcile cellular phone and pager requisitions with the master lists. Establish policies and procedures for issuing cellular phones and pagers based on the needs of the Center. Include a system to return these items to the Purchasing Department for re-issuance when no longer needed.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>In addition to the new policy, the CFO must approve all cell phone requisitions for reasonableness and compliance with the policy. To be verified by the Internal Auditor as of 7/21/98.</p>	
<p>Set up a tickler system to assist in collecting expense documentation to support advances. The number of individuals with the authority to book out-of-state travel should be limited.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>An open advance file is maintained by the Accounts Payable manager with weekly review and follow-up. Only the CEO can approve out-of-state travel. To be verified by the Internal Auditor as of 7/21/98.</p>	
<p>Develop and implement policies and procedures to address non-travel advances.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Non-travel advances are no longer made as this practice was deemed to have no legitimate business purpose for the Center. To be verified by the Internal Auditor as of 7/21/98.</p>	
<p>Comply with policies and procedures regarding leave approval. Accountability would be improved if a Board-designated Board member approved leave for the Chief Executive Officer.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The Board Chairman now approves leave for the CEO. To be verified by the Internal Auditor by 7/21/98.</p>	
<p>Develop operating manuals for departments. The manuals should include appropriate goals, objectives, and procedures.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 3/31/99</p> <p>Operating manuals exist for some departments (e.g., fiscal) but progress is slow due to the detail nature of this task and the fact that individual departments frequently revised their staffing for certain functions.</p>	

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Our review of selected policies and procedures showed numerous instances of noncompliance. Additionally, we noted several instances where a policy or procedure was not established to address various situations including use of cellular phones and pagers, travel expenses, non-travel advances, leave requests, operating manuals, and investment policy.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Ensure that investment procedures are documented in a timely manner. Also, amend the current investment policy to include the new requirements of the Public Funds Investment Act.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>To be verified by the Internal Auditor by 7/21/98.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The policies and procedures related to the areas mentioned above will be reviewed and appropriate changes will be made to accommodate recommendations. Latest implementation date 2/28/98.</i></p>	

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Performance evaluations were not completed within the past year for a sample of 52 staff members who had been at the Center for longer than one year.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>We recommend that a regular system of performance evaluations be developed and implemented. Evaluators should have training in the process to ensure fairness and uniformity, so that the process is most beneficial to the Center and its employees.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 2/28/98</b></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>At the time of the audit process, staff was developing an evaluation process to include supervisors, peers, customers and subordinate staff. The procedure has been completed, approved, and presented to supervisors and managers. As of September 1997, employees are entering the appraisal process on or before their anniversary dates. The Human Resources Department will maintain a tracking and reporting system that will monitor the timely completion of all appraisals and provide updates of outstanding appraisals. Implemented by 9/1/97.</i></p>	

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
Center staff members do not always attend required training, and management has no means of tracking compliance.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Required training should be clearly identified in a format useful to supervisors and staff. Policies and procedures should be developed to help ensure that staff members attain and maintain required training, including appropriate consequences for failure to do so. A capability should be developed to inform staff members and supervisors of needed training in a timely manner.	Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 08/15/98  Currently, Human resources is required to access two systems to produce a complete report of training received by an employee. All current training activity is being entered in a timely manner into the Ross system. However, the transfer of historical data from the old system to the Ross system has been held up by numerous technical challenges. Ultimately, this data will be transferred manually if necessary.
<i>Management's Response from Original Report:</i>	
<i>The former tracking system will be down-loaded into the new Human Resources Ross system, providing a centralized location for all training data. Reports will be generated to show the outstanding training required by each Center employee.</i>	

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Some personnel files are missing important documentation to support staff members' credentials, qualifications, and employability factors. Also, some personnel files contain inappropriate information. Currently, there is no routine check to ensure that personnel files are complete and that inappropriate information is removed.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop a function to verify professional credentials and assign it with the responsibility to ensure that all professional staff members who are required to be licensed have and maintain current licensure in good standing.	Status as of 6/30/98: <b>IMPLEMENTED</b>  A Credentialing Specialist position has been created and filled in the Managed Care Department with initial and ongoing verification of licensing being one of the primary responsibilities. Prior to this position being filled, verification was performed by the Human Resources File Clerk.

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Some personnel files are missing important documentation to support staff members' credentials, qualifications, and employability factors. Also, some personnel files contain inappropriate information. Currently, there is no routine check to ensure that personnel files are complete and that inappropriate information is removed.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Policies and procedures should be developed and implemented to ensure that original source verification of the required educational level is obtained for each applicant in a timely manner.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>A Human Resources File Clerk position has been created and filled with the verification of employee documentation and elimination of extraneous information being the primary job duties.</p>
<p>Develop the capability to produce an accurate list of current employees as needed. This list should be supplied to unit managers to verify completeness and accuracy immediately prior to the annual driving record checks.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The successful upgrade of the Ross Payroll application to version 5.7.1 has enabled this report to be produced on-demand. To be verified by the Internal Auditor as of 11/30/98.</p>
<p>Develop and implement a policy and procedure to ensure that a criminal background check is requested on each new employee within three days of employment, and that regular checks be instituted to ensure that a response is received. Appropriate procedures should be developed to check new employees from other states.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p>Develop and implement a policy that provides and ensures a check for accuracy of I-9 forms before the third day of employment and dictate appropriate corrective measures to ensure forms are obtained and completed in a timely manner.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Some personnel files are missing important documentation to support staff members' credentials, qualifications, and employability factors. Also, some personnel files contain inappropriate information. Currently, there is no routine check to ensure that personnel files are complete and that inappropriate information is removed.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop and implement policies and procedures that require regular reviews of personnel files and related material for inappropriate and prohibited information, with appropriate methods for correction.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>A Human Resources File Clerk position has been created and filled with the verification of employee documentation and elimination of extraneous information being the primary job duties.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>It is acknowledged that certain documents were missing from personnel files, and that there was no process to review personnel files for standards compliance. However, a monthly review of one-twelfth of all active personnel files is now included in the job description of the newly created HR File Clerk.</i></p>	

<b>Finding 10:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The contract management process needs improvement to ensure better contracts and monitoring procedures.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Institute a review system for contract provisions.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>To be reviewed by the Internal Auditor as of September 3, 1998.</p>
<p>Develop a uniform rate setting methodology.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>Proposed contract rates are compared to established Medicaid rates and Market rates (where available) but no formal policy has been drafted.</p>
<p>Develop minimum basic monitoring policies and procedures.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>To be verified by Internal Auditor as of September 3, 1998</p>
<p>Ensure that all necessary provisions are included in the contract.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>To be verified by Internal Auditor as of September 3, 1998.</p>

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 10:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The contract management process needs improvement to ensure better contracts and monitoring procedures.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><u>Management's Response from Original Report:</u></p> <p><i>DCMHMR did not have personnel dedicated to contract management until April 1996 when a Senior Contract Manager position was created and filled. Over the next eighteen months, three contract liaisons were employed, at staggered intervals, and assigned the task of monitoring purchased service contracts with external agencies. For Fiscal Year '98, a full time Legal Counsel position was created and assigned administrative oversight to the Contract Management division. That position has been filled, with the attorney scheduled to begin work November 1, 1997.</i></p> <p><i>Also, The Center is currently reviewing and developing procedures for contract management.</i></p> <p><i>Finally, a contract database that will contain basic contract profile information as well as performance data is in the process of development.</i></p>	

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>There remain significant issues from the fiscal year 1996 single audit findings because stated corrective actions have not been implemented.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Reevaluate and reprioritize the current commitments of the Information Services Division, giving significant emphasis to ensuring that the remaining Information services-related recommendations are implemented no later than their revised target dates.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>One element, locking of user IDs after excessive invalid access attempts, has not been universally incorporated into Center procedures (i.e., after 3 attempts for all applications) due to the number of new applications requiring user support around this issue. Until user-demand drops to acceptable levels, locking of user IDs in certain applications would cause help desk staff to spend an inordinate amount of time unlocking those IDs. To be verified by Internal Auditor as of 10/09/98 and the external auditor in their FY98 management letter.</p>
<p>Ensure that the new accounting and payroll systems are fully operational by the revised timetables.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>To be verified by Internal Auditor as of 10/09/98 and the external auditor in their FY98 management letter.</p>
<p>The Accounting Section should review and update accounting policies and procedures, internal controls, and job descriptions, and provide continuing education to appropriate accounting staff.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>To be verified by Internal Auditor as of 10/09/98 and the external auditor in their FY98 management letter.</p>

Agency No. 655  
**Department of Mental Health and Retardation**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
There remain significant issues from the fiscal year 1996 single audit findings because stated corrective actions have not been implemented.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Enforce the established policies and procedures over cash deposits and the transfer and disposal of fixed assets.	Status as of 6/30/98: <b>IMPLEMENTED</b>  To be verified by Internal Auditor as of 10/09/98 and the external auditor in their FY98 management letter.
<i>Management's Response from Original Report:</i>	
All areas are being addressed and plans are in progress to implement the recommendations suggested by the external auditor.	

<b>Finding 12:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Center has no automated method to track individual consumer accounts receivable.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The implementation of a client billing system should be given top priority. An aging analysis should be done at least monthly. If the Center continues to prefer a decentralized billing structure, allowing clerks physically located at provider locations to originate billing, then the Center should perform an organizational and operational review of the appropriate accounting processes to ensure accuracy and compliance.	Status as of 6/30/98: <b>IMPLEMENTED</b>  SMS Allegra Patient Accounting System (PFS) go-live was 6/1/98. To be verified by Internal Auditor as of 11/20/98. In addition, a comprehensive PFS review will be performed by TDMHMR in August 98.
<i>Management's Response from Original Report:</i>	
The implementation of the new client billing is on track for a February 1, 1998, go-live. This project has been given very high priority since the inception of the new information system projects, as evidenced by the amount of staff resources and consultant expenses expended on this project.	

Agency No. 696  
**Department of Criminal Justice**

**An Audit Report on Performance Measures at 26 State Agencies**

SAO Report No. 97-077, August 1997

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Source documentation was not available for calculation and reporting on the key measure "Release Revocation Rate."		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Download the Monthly Supervisory Database on a periodic basis to tape or disk.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 2/28/98</p> <p>Beginning January 1998, Data Services created "Data Sets" which match Parole monthly statistical reports. Such data sets will be maintained indefinitely and will provide detail source documentation for the specific measure in question as well as others. Currently, there are six sets available for audit.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 1/31/98</p> <p>TDCJ Data Services will create a detail file each month supporting all parole supervision monthly reports. The file will be stored on tape for up to five (5) years and will be accessible for recreating the monthly reports or extracting detailed information for audit verification purposes.</p> <p>Contact: Raymond Pyeatt, Director of Internal Audit</p>	
<i>Management's Response from Original Report:</i>		
Management concurs. Definitions were changed to solve the problem.		

Agency No. 696  
**Department of Criminal Justice**

**An Audit Report on Management Controls at the Texas Correctional Industries**  
 SAO Report No. 98-004, November 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI has not structured its planning process to meet its statutory objectives.	
Recommendation	Status Reported by Agency
Prioritize the goals in TCI's enabling legislation and develop strategies to fulfill all facets of TCI's statutory objectives (in alignment with established priorities).	Status as of 6/30/98: <b>IMPLEMENTED</b> as of 1/29/98  Presented prioritization of goals and received guidance to address goals from TBCJ, Subcommittee for Logistics & Operations and TDCJ executive management. Developed matrix for tracking statutory goals.
Consider developing a separate TCI job-training program within TCI.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98  Action Plan has been developed to establish and monitor meaningful Training Programs at TCI.  Contact: Cathleen Richards, Executive/Industry
<u>Management's Response from Original Report:</u>  TCI will seek advice on the development of strategies and the newly mandated statutory objectives from the Support Operations Committee TBCJ at the November 20, 1997 meeting. TCI will prepare a report on the outcome of the meeting to the State Auditor	
<u>Amended Management's Response:</u>  No Action Plan developed. Compiled documentation and submitted to TBCJ Board on January 29, 1998. Presentation was presented to SAO and approved.	
Recommendation	Status Reported by Agency
Review the strategic planning process to ensure that the various TCI plans derive logically from the overall Department strategic plan.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98  Action Plan has been developed redefining TCI's Strategic Plan. Monitor and review plan annually to ensure compliance.
<u>Management's Response from Original Report:</u>  TCI is presently developing a job-training program in conjunction with Windham School System. TCI will also develop an action plan to increase implementation of existing TDCJ on-the-job training programs that are currently in use in our factories.	
<u>Amended Management's Response:</u>  A comprehensive Action Plan has been developed.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Information on TCI's effectiveness is unavailable and additional measures are needed to report on financial performance and guide internal operations.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Determine some meaningful, easily measurable output measures for TCI to use as immediate, interim indicators of success.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 2/1/99  Pilot Study Completed 01/26/98. Action Team set up. Action Plan developed to identify jobs in TCI. Assigned D.O.T. Codes to all jobs. Cross reference D.O.T. Codes with OES Codes utilizing data from Texas Workforce Commission. Conducted pilot study at Textile Mill to determine OES Codes used in factory and job availability through 2005.
<i>Management's Response from Original Report:</i>	
TCI will set up an action team and develop an action plan to implement this recommendation.	
<i>Amended Management's Response:</i>	
The Management Response Form submitted November, 1997, stated the TDCJ would hire an independent accounting firm. TDCJ elected not to hire a consulting firm but developed detailed Action Plans.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop outcome measures to gauge progress in meeting goals.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 2/1/99  Same as above.
<i>Management's Response from Original Report:</i>	
TCI will set up an action team and develop an action plan to implement this recommendation.	
<i>Amended Management's Response:</i>	
Same as above.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI should establish a comprehensive monitoring system to focus attention on potential problem areas, identify factories which may have developed exemplary processes, and as a means of gauging factory performance. Routine review and analysis of account balances and their relationships with each other should yield useful information.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98  Began 12/05/97: Negotiation with outside CPA firm. Cancelled 02/09/98.  Began 02/06/98: Action Plan developed to establish a cost accounting methodology and model. Engaged the services of the University of Texas, College of Business, to assist in development and assessment.  Began 11/25/97: Industrial Operations Information System. Action Plan developed to automate cost accounting model.  Contact: Cathleen Richards, Executive/Industry

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>information on TCI's effectiveness is unavailable and additional measures are needed to report on financial performance and guide internal operations.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i></p> <p><i>TCI will form an action team to develop the comprehensive monitoring system.</i></p>	
<p><i>Amended Management's Response:</i></p> <p><i>A collaborative effort, between the College of Business and the Center of Criminology and Criminal Justice Research at the University of Texas and TCI has commenced to design a cost accounting methodology and model. Detailed Action Plans have been drafted to enable implementation of the comprehensive model and automation of these concepts.</i></p>	

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>TCI has entered into new industries without having obtained enough information to analyze whether these commitments were good business decisions.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop specific criteria and processes for implementation of new businesses. TCI might want to consider having the Prison Industry Advisory Board review the plans to ensure that the plans meet all criteria.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/15/98</p> <p>Policy redrafted to include Standard Operating Procedures and Business Planning Worksheets. Policy is in process of obtaining approval from the SAO prior to a review by the TDCJ Legal staff and approval by the TBCJ Board Support Operations Committee.</p>
<p><i>Management's Response from Original Report:</i></p> <p><i>TCI will establish an action team to develop a policy and procedure to achieve the implementation of this recommendation. The policy and procedure will be evaluated by the Support Operations Committee of the Texas Board of Criminal Justice.</i></p>	
<p><i>Amended Management's Response:</i></p> <p><i>Action Plan was not drafted as recommendation was addressed via a policy.</i></p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>TCI has entered into new industries without having obtained enough information to analyze whether these commitments were good business decisions.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Board's policy should clearly define what a new business or a new product is and should establish a cost above which new products or industries need Board approval.</p>	<p>Status as of 6/30/98: <b>OTHER</b></p> <p>Completed 1/19/98.</p> <p>Issue addressed by Carl Reynolds, General Counsel for the TBCJ, during meeting held on 06/14/97. TCI will not draft a new board policy.</p>
<p><u>Management's Response from Original Report:</u></p> <p>TCI will establish an action team to draft a TBCJ policy.</p>	
<p><u>Amended Management's Response:</u></p> <p>A new board policy will not be required as issue was addressed by Carl Reynolds, General Counsel, for the TBCJ Board.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Include adequate information in the business plans to facilitate meaningful analysis.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/15/98</p> <p>Policy redrafted to include Standard Operating Procedures and Business Planning Worksheets. Policy is in the process of obtaining approval from the SAO prior to a review by the TDCJ Legal staff and approval by TBCJ Support Operations Committee.</p> <p>Contact: Cathleen Richards, Executive Industry</p>
<p><u>Management's Response from Original Report:</u></p> <p>TCI will establish an action team to evaluate existing policy to determine modifications needed to achieve recommendation.</p>	
<p><u>Amended Management's Response:</u></p> <p>Action Plan was not drafted as recommendation was addressed via policy.</p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Industrial Operations Information System (IOIS) could improve TCI financial and operational management.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Establish an internal project manager from TDCJ Data Services or from TCI to complete knowledge transfer.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 1/19/98</p> <p>On 01/19/98, an internal project manager appointed. Subsequently, Data Services appointed a project manager until completion.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI has selected an internal project manager. Further, TCI will immediately set about involving senior managers to establish expected system outputs and develop an action plan.</i></p>	
<p><u>Amended Management's Response:</u></p> <p><i>TDCJ Data Services has provided a project manager to assess automation requirements and secure a long-term solution. Action Plan has been developed for initial automation of the cost accounting model.</i></p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Establish and document appropriate system- and factory-level controls regarding access, authorizations, separation of duties, and physical security.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 11/3/97</p> <p>Revision of TCI policy 09.00.003 (rev. 2) completed.</p> <p>Contact: Cathleen Richards, Executive/Industry</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI will establish an action team. The action team will develop the policy and procedures needed to implement the recommendation.</i></p>	
<p><u>Amended Management's Response:</u></p> <p><i>No Action Plan was drafted. Recommendation addressed via a revision of a TCI policy.</i></p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>TCI does not have a way to ensure that good processes for managing production and assets are implemented in all factories. TCI has not developed policies or other mechanisms to ensure best practices are known or shared.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop policies and procedures that would allow new employees to understand the minimum expectations for management of assets and resources.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: Ongoing</p> <p>Effective February 1998.  TDCJ Executive Directive PD-96 is being utilized. TCI developed and distributed <i>Handbook for Industrial Supervisors</i>.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI will establish an action team to develop policies and procedures aimed at providing new employees an orientation period and at developing a component for the Quality Training curriculum to address minimum expectations for management of assets and resources.</i></p>	
<p><u>Amended Management's Response:</u></p> <p><i>No Action Plan was drafted. Recommendation addressed via a TDCJ Executive Directive and Handbook.</i></p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop mechanisms to allow factories to share their best practices and people in similar roles and address common problems.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: Ongoing</p> <p>Same as above.</p> <p>Contact: Cathleen Richards, Executive/Industry</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI will immediately begin semi-annual meetings with all Plant Managers and expand the usage of the TCI quarterly newsletter to accomplish the recommendation.</i></p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The weaknesses found in TCI's cost accounting system prevent TCI from accurately tracking its costs and making good decisions about pricing products, valuing inventory, and other operational issues.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Cost analyses should include all costs incurred in production and should reflect the most recent prices paid for raw materials and TCI's best estimate of overhead associated with production. If labor hours are used to allocate overhead to the product, TCI should use realistic estimates of hours.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>Began 12/05/97: Negotiation with outside CPA firm. Cancelled 02/09/98.</p> <p>Began 02/06/98: Cost Accounting Model and Methodology. Action Plan developed to establish a cost accounting methodology and model. Engaged the services of the University of Texas, College of Business, to assist in development and assessment.</p> <p>Began 11/25/97: Industrial Operations Information System - Action Plan developed to automate cost accounting model.</p>
<p><u>Management's Response from Original Report:</u></p> <p>TCI will establish an action team to research and evaluate different methodologies for implementing the recommendation. Once research and evaluation have been completed, the action team will develop policies and procedures for implementation.</p>	
<p><u>Amended Management's Response:</u></p> <p>TDCJ elected not to hire the services of an independent accounting firm. A collaborative effort, between the College of Business and the Center of Criminology and Criminal Justice Research at the University of Texas and TCI, has commenced to design a cost accounting methodology and model. Detailed Action Plans have been drafted to enable implementation of the comprehensive model and automation of these concepts.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>All overhead should be allocated to the individual products in the manner best suited to that industry to ensure that the costs of the product are assigned either to sales or to inventory.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>Same as above.</p>
<p><u>Management's Response from Original Report:</u></p> <p>TCI will select action team members to develop criteria for allocating overhead. Additionally, policies and procedures will be developed to address the issues in the recommendation.</p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 6:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
The weaknesses found in TCI's cost accounting system prevent TCI from accurately tracking its costs and making good decisions about pricing products, valuing inventory, and other operational issues.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
Actual costs should be included on a monthly basis in the financial statements for each of the factories.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>		Target Date: 12/31/98
	Same as above.		
<u>Management's Response from Original Report:</u>			
TCI will establish an action team to develop the policies and procedures needed to implement this recommendation.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
Criteria for when to make adjustments to inventory records should be developed to ensure consistency and fairness in reporting inventory amounts.	Status as of 6/30/98: <b>IMPLEMENTED</b>		
	Effective 6/30/98 Policy 09.13.010 (rev. 1), <i>Controlling Inventories</i> .		
<u>Management's Response from Original Report:</u>			
TCI will establish an action team composed of Division and Plant Manager who will develop policies and procedures based on the JDE system.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
Policies should be developed to ensure consistency in adjustments to inventory amounts.	Status as of 6/30/98: <b>IMPLEMENTED</b>		
	Same as above.		
<u>Management's Response from Original Report:</u>			
TCI will establish an action team composed of Division and Plant Managers who will develop policies and procedures based on the JDE system. This recommendation will be in conjunction with 2-A. (4)			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
TCI should use cost information to determine prices and to make decisions on whether or not it is cheaper to make or to buy some items.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>		Target Date: 12/31/98
	Action Plan developed. List of TCI products, inclusive of cost, which are similar and produced at more than one factory has been compiled. Policies and procedures being drafted.		
	Contact: Cathleen Richards, Executive/Industry		

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The weaknesses found in TCI's cost accounting system prevent TCI from accurately tracking its costs and making good decisions about pricing products, valuing inventory, and other operational issues.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<u>Management's Response from Original Report:</u>	
TCI will develop an action team of representatives from Financial Operations and Fixed Assets to research and evaluate different cost allocation methodologies.	

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI's financial statements do not recognize costs or revenues appropriately.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Sales of necessity items to the Department should be recorded as sales (perhaps less a discount to eliminate the profit), but transfers of one factory's finished goods to another factory's raw materials should be recorded as inter-factory transfers.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98
	Began 04/14/98: Action Plan developed and approved by SAO to create another process to record sale of necessity items to TDCJ. (Process to be incorporated into the cost accounting model.)
	Began 12/05/97: Negotiation with outside CPA firm. Cancelled 02/09/98.
	Began 02/06/98: Cost Accounting Model and Methodology. Action Plan developed to establish a cost accounting methodology and model. Engaged the services of the University of Texas, College of Business, to assist in development and assessment.
<u>Management's Response from Original Report:</u>	
TCI will appoint an action team to address method to achieve the implementation of this recommendation. The action team will develop an action plan.	
<u>Amended Management's Response:</u>	
TDCJ elected not to hire the services of an independent accounting firm. A collaborative effort, between the College of Business and Center of Criminology and Criminal Justice at the University of Texas and TCI, has commenced to design a cost accounting methodology and model. Detailed Action Plans have been developed to enable implementation of the comprehensive model and automation of these concepts.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI's financial statements do not recognize costs or revenues appropriately.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Cost of Raw Materials should be computed according to standard accounting procedures and used in the calculation of the Cost of Goods Manufactured.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>Began 12/05/97: Negotiation with outside CPA firm. Cancelled 02/09/98.</p> <p>Began 02/06/98: Cost Accounting Model and Methodology. Action Plan developed to establish a cost accounting methodology and model. Engaged the services of the University of Texas, College of Business, to assist in development and assessment.</p> <p>Began 11/25/97: Industrial Operations Information System - Action Plan developed to automate cost accounting model.</p>
<i>Management's Response from Original Report:</i>	
TCI will have an action team review the process and develop policies and procedures to implement this recommendation.	
<i>Amended Management's Response:</i>	
Same as above.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Once TCI has recomputed the amount of the costs associated with Departmental Sales, it should:</p> <ul style="list-style-type: none"> <li>• Consider raising prices on the products that incurred a loss on departmental sales.</li> <li>• Recompute the amount by which the Department is subsidizing sales to other agencies.</li> </ul>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>Same as above.</p>
<i>Management's Response from Original Report:</i>	
TCI will establish an action team to research and evaluate the different type of factories, programs and products and how to best implements this recommendation. The action team will formulate policies and procedures that are needed.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI's financial statements do not recognize costs or revenues appropriately.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Department may want to consider hiring a Certified Public Accountant, either on staff or as a contract employee, to help TCI address some of these issues.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>Began 12/5/97: Negotiation with outside CPA firm. Cancelled 2/9/98.</p> <p>From 11/19/97 - 3/31/98: Utilized the services of a CPA assigned to another TDCJ division for the initial oversight of the cost accounting model.</p> <p>Began 2/6/98: Cost Accounting Model and Methodology. Action Plan developed to establish a cost accounting methodology and model. Engaged the services of the University of Texas, College of Business, to oversee development and assessment.</p> <p>Contact: Cathleen Richards, Executive/Industry</p>
<u>Management's Response from Original Report:</u>	
TCI will work with Financial Operations and Contract Purchasing to develop a Request for Proposal (RFP) to hire a CPA on retainer.	
<u>Amended Management's Response:</u>	
TCI did utilize, initially, a CPA assigned to another TDCJ Division for oversight of the comprehensive accounting model.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI's funding is not linked to production and is not structured to facilitate monitoring.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Department should allocate funds for "necessity items" to TCI based on an agreement to provide specific numbers of individual items over the course of the year and based on a specific price list. In 1991, TCI management agreed to a Department internal audit recommendation to consolidate general revenue funding into the industrial revolving fund. This recommendation was repeated in 1994 by the Office of the Comptroller of Public Accounts.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p> <p>Budgeted strategies have been consolidated in the Legislative Appropriations Request for FY 2000 &amp; 2001.</p>
<i>Management's Response from Original Report:</i>	
TCI initiated action on this recommendation due to the same recommendation appearing in the TDCJ Internal Audit. The action plan calls for an implementation date of September 1, 1998.	
<i>Amended Management's Response:</i>	
Action Plan completed outlining required process for budget consideration in fiscal year 2000/2001.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Budget status reports should mirror the actual expenditures and obligations as closely as possible; therefore, the pre-encumbrances should not be included in the reports made available to factories.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 1/13/98</b></p> <p>TCI will not include pre-encumbrances in reports made available to factories.</p>
<i>Management's Response from Original Report:</i>	
TCI will not include pre-encumbrances in reports made available to factories.	
<i>Amended Management's Response:</i>	
No action plan required. Corrective action taken in FY 98 financial statements.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI's funding is not linked to production and is not structured to facilitate monitoring.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Funds from all sources should be allocated to the different factories based on what they are likely to need for the period. Prior year actual numbers should be considered in the development of subsequent year's budgets.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 10/1/98  Began 12/05/97; Negotiation with outside CPA firm. Cancelled 02/09/98. Action Plan has been developed to resolve these issues via a policy in the FY99 budgeting process.
<i>Management's Response from Original Report:</i>	
TCI will perform budget exercises involving division and factory level management annually and quarterly, to assure that all funds are properly allocated. Detailed summaries of expenditures by FY, quarter, and month will be made available to division and factory level management staff.	
<i>Amended Management's Response:</i>	
TDCJ elected not to hire the services of an independent accounting firm. Action Plan completed to detail the process to accomplish for FY99 budget year.	

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Operational reviews provide limited information on factory performance.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Operational Review Process should be evaluated and enhanced with procedures to ensure that significant weaknesses are discovered and addressed. Specifically:  The reviewers should be independent of the division, plant, and unit.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98  Effective 01/23/98. Policy 09.06.004 (rev. 1), Division-Level Operational Review, revised. Policy 09.06.006, Industrial Operational Review, written and distributed. Action Plan developed for establishment of detailed procedures to accomplish above policy objectives.
Develop criteria and procedures to ensure that divisional reviews are more likely to identify significant problems.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 12/31/98  Same as above.

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 9:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Operational reviews provide limited information on factory performance.			
Recommendation	Status Reported by Agency		
Use risk assessment to determine the nature, timing, and extent of monitoring.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/31/98	
	Same as above.		
Provide instruction on how to test factory performance for items currently included in the review.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/31/98	
	Same as above.		
in addition to the areas currently reviewed, expand the operational reviews to include review of: <ul style="list-style-type: none"> <li>• Pricing of custom orders</li> <li>• Cost analysis processes.</li> </ul>	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/31/98	
	Same as above.		
The results of these reviews should be used in evaluating plant managers.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 10/1/98	
	Same as above.		
	Contact: Cathleen Richards, Executive/Industry		
<u>Management's Response from Original Report:</u>			
TCI will develop an internal compliance review. TCI will submit a decision memorandum for the establishment and funding of staff to perform compliance reviews.			

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 10:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Available information is not used to improve business processes.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI should use customer input to evaluate and enhance business operations. The underlying causes of the complaints should be tracked.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: On-Going  Effective 06/03/98. Policy 09.03.002 (rev. 2), <i>Product Complaint Process</i> , finalized.
<u>Management's Response from Original Report:</u>	
TCI will establish an action team to review existing policy and revise as needed.	
<u>Amended Management's Response:</u>	
Action Plans were not required. Policy was revised and distributed.  A detailed manual has been written and distributed. A compliance review for adherence to these documents will occur in conjunction with the review to ensure all SAO recommendations are addressed and corrective action has taken place.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI's Industry Policy for the customer complaint process should be enforced to ensure compliance at all levels. Plant Managers should be accountable for the timely and satisfactory resolution of customer complaints.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Same as above.
<u>Management's Response from Original Report:</u>	
TCI will establish an action team to review existing policy.	
<u>Amended Management's Response:</u>	
Same as above.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI's customer data should be reviewed and verified for accuracy and completeness.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Same as above.
<u>Management's Response from Original Report:</u>	
TCI will establish an action team to review customer data and develop the policies and procedures needed to implement this recommendation.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 10:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Available information is not used to improve business processes.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Amended Management's Response:</i>	
Same as above.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI should develop and implement policies and procedures that would address customer satisfaction at the "front-end" of the business process rather than after a complaint is filed.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Same as above.
<i>Management's Response from Original Report:</i>	
TCI will establish a study group to prepare a decision memorandum for the staffing of a customer service group.	
<i>Amended Management's Response:</i>	
Same as above.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Division management should monitor and evaluate the effectiveness of the production and quality processes. Measures should be developed and tracked to allow management to evaluate the effectiveness of the Quality Assurance Program. Alternative mechanisms to enhance the quality of TCI products (such as division quality teams or the specific training of inmates) should be used to supplement the training provided by the Quality Assurance Program.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: On-Going  Effective April 1998. Finalized <i>Quality Manual</i> was distributed in accordance with Policy 09.13.003, <i>Quality Control Procedures</i> .  Contact: Cathleen Richards, Executive/Industry
<i>Management's Response from Original Report:</i>	
TCI will utilize compliance review team to be established by recommendation 2-D (1) for the implementation of this recommendation.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 10:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Available information is not used to improve business processes.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<u>Amended Management's Response:</u>	
A detailed manual has been written and distributed. A compliance review for adherence to these documents will occur in conjunction with the review to ensure all SAO recommendations are addressed and corrective action has taken place.	

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI does not have adequate information or controls to protect and track inventory.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Division management should review inventory storage facilities at all plants to identify needed repairs or improvements. If resources are unavailable to address deficiencies immediately, inventories should be moved to a more secure location.	Status as of 6/30/98: <b>IMPLEMENTED as of 3/1/98</b>  Meeting with TCI managers. Complete review of all storage facilities completed. Major work orders submitted to TDCJ Construction.
<u>Management's Response from Original Report:</u>	
TCI will continue to utilize existing TDCJ policy and procedures. TCI will develop an internal policy and procedure to address repair and construction issues that are not addressed within twelve months of reporting under TDCJ policy and procedures.	
<u>Amended Management's Response:</u>	
An Action Plan will not be drafted as stated in the Amended Response of 11/26/97.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Each plant should ensure adequate segregation of duties among personnel responsible for accounting, purchasing, record keeping, and custody of stock. Posting to inventory records and reconciliation of inventory should be performed by different people.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: Ongoing  Policy 09.13.010 (rev. 1), <i>Controlling Inventories</i> , has been finalized.

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI does not have adequate information or controls to protect and track inventory.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
TCI will utilize compliance review team to be established by recommendation 2-D (1) for the implementation of compensating controls.	
<i>Amended Management's Response:</i>	
TDCJ elected not to hire the services of an independent accounting firm. A policy has been drafted to address this issue.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI should develop procedures for the reconciliation of discrepancies between inventory records and actual counts to include criteria on what is to be considered a variation and adjusting records. In addition, the procedures should detail how physical counts and spot counts are to be conducted. management should be held accountable for inventory variances.	Status as of 6/30/98: <b>IMPLEMENTED</b> Same as above.
<i>Management's Response from Original Report:</i>	
TCI will establish an action team to develop policies and procedures to implement recommendation.	
<i>Amended Management's Response:</i>	
Same as above.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Policies and procedures should be developed and implemented for obsolete inventory.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98  Administrative staff has met to discuss issues associated with obsolete inventory. Policies and procedures being drafted.
<i>Management's Response from Original Report:</i>	
TCI will appoint an action team to develop policies and procedures on the disposal of inventory.	
<i>Amended Management's Response:</i>	
Same as above.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 12:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
TCI has failed to establish written procedures that specifically address the initial extension of credit or the collection of past-due accounts.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI should implement its draft policy on collection of accounts receivables. This policy should be revised to include procedures for identifying or rejecting orders from customers with delinquent accounts.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98  Action Plan drafted to amend Policy 09.13.001, <i>Collection of Accounts Receivable</i> , to be an overall Funds Management Policy.
<i>Management's Response from Original Report:</i>	
TCI will implement policy 09.13.000 as planned. However, rather than amend the policy, TCI will include this as part of the customer data review (recommendation 2-E. (3)) or develop a policy that addresses this issue independently.	
<i>Amended Management's Response:</i>	
Action Plan drafted to institute an overall funds management process, independent of the customer data review.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
TCI should develop a policy to address the monitoring and payment of outstanding revolving fund payables. Criteria for setting priorities for payment should be included in the policy.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Same as above.
<i>Management's Response from Original Report:</i>	
TCI will develop a policy as recommended.	
<i>Amended Management's Response:</i>	
Same as above.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 13:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Although sales to employees do not account for a large percentage of TCI's sales, the risk that employees may take advantage of their position has not been sufficiently managed by TCI's policy on employee sales or by its implementation.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Specific policies and procedures should be developed and instituted that delineate who is considered an employee for the purpose of employee sales, what constitutes personal use, and what specific products are permitted and/or prohibited.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 1/1/98</p> <p>Policy 09.03.001, <i>Prison-Made Article or Product Sales to Employees</i>, revised and distributed.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI has drafted a policy and procedure to address this recommendation. The policy and procedure are presently being reviewed by TDCJ's Legal Division.</i></p>	
<p><u>Amended Management's Response:</u></p> <p><i>No action plan drafted as a policy has been completed to address these issues.</i></p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop a standard process for calculating the price of goods sold to employees, ensuring that all costs such as raw materials, labor, and overhead are included. This will provide some consistency of pricing between employee sales for the same or similar items.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 1/1/98</p> <p>Same as above.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI has drafted a policy and procedure to address this recommendation. The policy and procedure are presently being reviewed by TDCJ's Legal Division.</i></p>	
<p><u>Amended Management's Response:</u></p> <p><i>Same as above.</i></p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 13:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Although sales to employees do not account for a large percentage of TCI's sales, the risk that employees may take advantage of their position has not been sufficiently managed by TCI's policy on employee sales or by its implementation.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop procedures that ensure that every employee sale has the appropriate documentation, and that products are paid for prior to, or at the time of, delivery.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 1/1/98</p> <p>Same as above.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI has drafted a policy and procedure to address this recommendation. The policy and procedure are presently being reviewed by TDCJ's Legal Division.</i></p>	
<p><u>Amended Management's Response:</u></p> <p><i>Same as above.</i></p>	

<b>Finding 14:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Controls over Fixed Assets appear to be adequate, but documentation of maintenance should be improved.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>TCI operational reviews should include testing of maintenance records.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: Ongoing</p> <p>Effective 02/25/98.          Policy 09.06.004 (rev. 1), <i>Division-Level Operational Review</i>, revised. Policy 09.06.006, <i>Industrial Operational Review</i>, written and distributed.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>TCI will utilize compliance review team to be established by recommendation 2-D (1) for the implementation of this recommendation.</i></p>	
<p><u>Amended Management's Response:</u></p> <p><i>A policy has been written and distributed. A compliance review for adherence to this policy will occur in conjunction with a review to ensure all SAO recommendations are addressed and corrective action has taken place.</i></p>	

Agency No. 696  
**Department of Criminal Justice**

**An Audit Report on Managed Care at the Texas Department of Criminal Justice**  
 SAO Report No. 98-013, January 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
Oversight roles and responsibilities of all parties are not obvious.	
Recommendation	Status Reported by Agency
The Department is encouraged to pay its Health Services Division physicians through its own payroll system.	Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 09/1/99  Management Action Plan approved by CMHCAC on March 12, 1998. Contingent upon Legislative actions.
The Department is encouraged to continue its efforts to hire an independent Health Services Division Medical Director, who is independent of the contracted health care providers.	Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 9/1/99  Management Action Plan approved by CMHCAC on March 12, 1998. Contingent upon Legislative actions.
The Health Services Division should secure sufficient staff to perform all aspects of the operation Review audits, eliminating reliance on staff from the university providers to assist in the audits.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/1/98  Management Action Plan approved by CMHCAC on March 12, 1998. RFP requests for additional monitoring services being prepared.  Contact: Wayne Scott, TDCJ, Executive Director Mike Pugh, Assistant Director for Health Services
<i>Management's Response from Original Report:</i>	
TDCJ concurs and has an action plan in process	
Recommendation	Status Reported by Agency
Consider an amendment to the current contracts between the Department and the Committee and the Committee and the university providers which enables the Department to hold the university providers accountable for monitoring their subcontractors' performance.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 7/30/98  Management Action Plan approved by CMHCAC on March 12, 1998. Amendment language has been drafted and is under review.  Contact: Jim Riley, Committee Executive Director

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
Oversight roles and responsibilities of all parties are not obvious.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p>The university providers disagree with recommendation. Under current law, they contract with the CMHCAC and not the TDCJ and are therefore accountable to the CMHCAC for contract compliance. Amending the contracts as recommended would essentially bring another party "TDCJ" into the agreement, would change the character of the contract substantially and ignore the current statutory arrangement. TDCJ concurs with the recommendation and has proposed that such an amendment be incorporated into the next biennium contract.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
In all applicable subcontracts, include by reference any relevant state licensing or health regulations for the services being contracted.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 7/30/98</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Amendment language has been drafted and is under review,</p> <p>Contact: Jim Riley, CMHCAC, Executive Director</p>
<i>Management's Response from Original Report:</i>	
<p>The CMHCAC partners note that the current contracts contain a number of general references to insure subcontractor compliance, but concur that additional clarifying language would be beneficial. Due to the number of contracts involved, the clarifying amendments will be added during the next biennial contracting process and in any new subcontracts entered into this biennium.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Roles and responsibilities of all parties should be clearly defined and specifically stated in the contracts.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/99</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Revised roles and responsibilities language has been identified and is to be approved by the CMHCAC 6/30/98. Will be incorporated in next biennial contracts.</p> <p>Contact: Jim Riley, CMHCAC, Executive Director</p>
<i>Management's Response from Original Report:</i>	
<p>The CMHCAC partners concur that additional role definition would be beneficial and will work to more precisely define roles and responsibilities. Such clarifications will serve as the groundwork for the next biennial contracting process.</p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: FACTORS DELAY IMPLEMENTATION</b>
Oversight roles and responsibilities of all parties are not obvious.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Information relating to potential problems as well as any action affecting managed health care must be shared by all parties within the organization. This includes the Department's executive management and Department Health Services Division management, the Committee, the university providers, their subcontractors, and unit and regional management.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b> <span style="float: right;">Target Date: 6/30/98</span></p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Revised roles and responsibilities language to be approved by CMHCAC on 6/30/98 clarifies information sharing responsibilities.</p> <p>Contact: Jim Riley, CMHCAC Executive Director</p>
<i>Management's Response from Original Report:</i>	
<p><i>The CMHCAC partners concur that additional role definition would be beneficial and will work to more precisely define roles and responsibilities. Such clarifications will serve as the groundwork for the next biennial contracting process.</i></p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Department should develop a monitoring function which will be responsible for monitoring all operational and financial aspects of the contract between the Department and the Committee. This function would also oversee the monitoring of the providers by the Committee and have the authority to review all financial and operational records related to the provision of health care to the Department's inmates.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 8/1/98</span></p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. TDCJ's independent monitoring plan developed and submitted for approval.</p> <p>Contact: Dr. Lannette Linthicum, TDCJ, Interim Division for Health Services Director</p>
<i>Management's Response from Original Report:</i>	
<p><i>The TDCJ concurs and has initiated an action plan for operational monitoring.</i></p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Reevaluate the managed health care capitation rate (cost of inmate per day).	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The Committee should annually evaluate the components and costs of providing health care to the inmates. This information should be provided to the Legislative Budget Board for use by the Legislature in determining the appropriation for the managed health care strategy. Before the capitation rate for the next biennium is set, allowable and unallowable cost components of the health care appropriation should be clearly defined.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/01/98</p> <p>Partially implemented. Management Action Plan approved by CMHCAC on March 12, 1998. Revised financial reporting format developed for implementation in FY 1999.</p> <p>Contact: Jim Lynaugh, Chief Financial Officer, CMHC  David McNutt, Division Director of Finance</p>
<u>Management's Response from Original Report:</u>	
<p><i>The CMHCAC and its partners will continue to work closely with the LBB and Legislative staff in providing information relating to the components and costs of providing health care to the offender population and establishing an appropriate capitation rate. TDCJ concurs with the recommendation however, the university providers disagree with the setting of allowable v unallowable cost components suggested by this recommendation because it significantly changes the nature of the contracts. If the state wants to continue acquiring health care through risk contracts then the concept of what is an "allowable" or "unallowable" cost would not be applicable. Under risk contracting the "at risk" provider is liable for any and all costs and is afforded the flexibility to allocate funds as needed to manage their risk. The state has successfully been able to shift financial risk to managed care organizations in a number of instances - - correctional health care, state employee health plans and the evolving Medicaid Managed Care programs. Reverting to a structure other than risk contracting for correctional health care will be more costly to the state.</i></p>	
<u>Auditor's Follow-up Comments:</u>	
<p>The university providers disagree with our recommendation that allowable and unallowable cost components of the health care appropriation should be clearly defined before the capitation rate is set for the next biennium. Without analyzing prior health care cost components or defining allowable and unallowable costs for managed health care, it is difficult to assess the reasonableness of the capitation rate.</p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Reevaluate the managed health care capitation rate (cost of inmate per day).	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>To ensure a common financial reporting system for all medical services provided, the Committee should establish financial reporting requirements consistent with health care industry standards. University providers should identify and report all expenditures of correctional managed health care to the Committee, according to these requirements, on a regular basis.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/01/98</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Revised financial reporting format developed for implementation in FY 1999.</p> <p>Contact: Jim Lynaugh, Chief Financial Officer, CMHC  David McNutt, Division Director of Finance</p>
<i>Management's Response from Original Report:</i>	
<p>The CMHCAC partners concur and will establish a work group comprised of financial officers from the partner agencies to establish a common financial reporting system. The revised reporting system would be in place by the start of the next fiscal year.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>UTMB and TTUHSC should develop a method to identify the costs of providing indirect support services for Department managed care. An appropriate charge back system should be developed to reimburse the universities for the costs incurred in providing indirect support services.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 6/1/98</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Final review of allocation methodologies pending.</p> <p>Contact: Richard Moore, UTMB, Vice President for Finance  Elmo Cavin, Vice President for Fiscal Affairs</p>
<i>Management's Response from Original Report:</i>	
<p>The University providers concur and have already taken action to insure that appropriate indirect support services are charged to the TDCJ managed care contracts.</p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Reevaluate the managed health care capitation rate (cost of inmate per day).	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Proper allocation of expenditures and segregation of funding resources for Department and non-Department managed care programs is essential to maintain accountability for each medical school's programs. Both UTMB and TTUHSC should review present allocation methods to ensure accuracy of the estimated work loads driven by different programs.</p> <p>The medical schools should consider use of a timekeeping system or conduct random moment time studies for staff who perform activities for Department and other non-Department managed health care programs.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 6/1/98</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Final review of allocation methodologies pending.</p> <p>Contact: Richard Moore, UTMB, Vice President for Finance  Elmo Cavin, Vice President for Fiscal Affairs</p>
<i>Management's Response from Original Report:</i>	
<i>The university providers concur. Where allocation of costs and effort are applicable, the university providers will utilize methodologies similar to those used for federal grants and contracts.</i>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The committee should identify the data elements needed to perform an actuarial study on financial risk and should begin to collect this data. After an appropriate baseline of information is established, an analysis of the risk and requirement amount of reserves should be performed.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/30/98</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Actuary has been retained to conduct analysis.</p>

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Reevaluate the managed health care capitation rate (cost of Inmate per day).		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<i>Management's Response from Original Report:</i>		
<i>The CMHCAC and the university providers concur and in anticipation of this need, included language in the current university contracts to select a mutually acceptable actuary to assist in this process. The study will be completed by the time the next appropriation request is to be submitted.</i>		
<p>The centralized pharmacy should continue its efforts to automate all aspects of the drug dispensing process. Identifying the total cost of reclaimed, reissued medicines should enable the managed health care program to accurately calculate inmate pharmacy cost. Moreover, the pharmacy will be able to accurately value its inventory when complete costs are known.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 10/1/98</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Initial automation has been completed as scheduled. Additional refinements have been identified and scheduled.</p> <p>Contact: Dick Cason, Pharmacy Director</p>	
<i>Management's Response from Original Report:</i>		
<i>The CMHCAC partners concur. Automation improvements are scheduled for installation in January of 1998.</i>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>The university providers should track the fixed costs associated with establishing a health clinic in a new prison unit or modifying a current unit to accommodate an increased population.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Tracking of costs assigned. Additional capacity to come on-line in FY 99 will be tracked.</p> <p>Contacts: Jim Lynaugh, TDCJ, Chief Financial Officer  David McNutt, TDCJ, Division Director for Finance</p>	
<i>Management's Response from Original Report:</i>		
<i>The CMHCAC partners concur.</i>		

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Correctional managed health care lacks a comprehensive monitoring system.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Define monitoring roles and responsibilities of the Department's Health Services Division, the Committee, and university providers. Whereas self-monitoring is an important basis of a good monitoring process, an independent review by a party with enforcement authority would strengthen the process.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 2/1/99</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Comprehensive review of monitoring mechanism has been initiated.</p> <p>Contact: James Riley, CMHCAC Executive Director</p>
<i>Management's Response from Original Report:</i>	
<p>The CMHCAC partners concur that better definition of roles and responsibilities relating to monitoring would be of benefit to all the parties. Accordingly, the CMHCAC will form a joint work group to examine the potential options available, including the possibility of contracting for these services. The work group would be charged with reengineering the monitoring processes to insure they provide meaningful information for management and are consistent with health care industry standards.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>A comprehensive, standardized monitoring system should be established that integrates the various information/monitoring processes already in place. A formal tracking system should be established to assist in evaluating providers against defined measurable performance standards.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 2/1/99</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Comprehensive review of monitoring mechanism has been initiated.</p> <p>Contact: James Riley, CMHCAC Executive Director</p>
<i>Management's Response from Original Report:</i>	
<p>The CMHCAC partners concur that while there are many monitoring and reporting activities currently taking place, there is a need for better integration of the data resulting from these efforts. As noted above, the CMHCAC will form a joint work group to initiate a reengineering of the monitoring processes to insure they yield meaningful data consistent with health care industry standards. As a part of this planning effort, the work group will further integrate measures of performance with the information system development now underway.</p>	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Correctional managed health care lacks a comprehensive monitoring system.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
To promote consistent and effective monitoring, results and feedback from each of the monitoring processes should be continuously shared among appropriate management and staff at the Department's Health Services Division, the Committee, the university providers, the regional offices, and the medical units.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 2/1/99  Management Action Plan approved by CMHCAC on March 12, 1998. Comprehensive review of monitoring mechanism has been initiated.  Contact James Riley, CMHCAC Executive Director
<i>Management's Response from Original Report:</i>	
The CMHCAC partners concur. As a part of reengineering the monitoring process, a review of effective means for communication, disseminating and following-up on results will be conducted.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Tie the Operational Review compliance threshold more closely to NCCHC standards compliance for accreditation of units.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 2/1/99  Management Action Plan approved by CMHCAC on March 12, 1998. Comprehensive review of monitoring mechanisms has been initiated.  Contact: James Riley, CMHCAC Executive Director
<i>Management's Response from Original Report:</i>	
The CMHCAC partners concur that NCCHC accreditation should serve as the principal guidance for the monitoring efforts. Such changes will be considered as part of the monitoring process reengineering effort.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Use a multiple copy sick call request form so that a copy of the inmate's original sick call request can be maintained in the medical record to verify timeliness of access to care.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 6/1/98  Management Action Plan approved by CMHCAC on March 12, 1998. Electronic medical record development underway. Access to care validation currently checked through operational review process.  Contacts: Leon Clements, UTMB, Vice President for Managed Car Jim Laible, TTUHSC, Vice President for Managed Care
<i>Management's Response from Original Report:</i>	
The CMHCAC partners concur in principal with the need to insure the timeliness of access to care, but offer an alternate solution to using a multiple copy sick call request form. The electronic medical record and electronic clinical management systems currently being reviewed and implemented will provide a means to verify access to care data without requiring another copy of the sick call request form be produced and maintained.	

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Correctional managed health care lacks a comprehensive monitoring system.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Consider standardizing the logging process for sick call requests to ensure that the medical units collect consistent access to care data elements.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 6/1/98  Management Action Plan approved by CMHCAC on March 12, 1998. Electronic medical record development underway. Access to care validation currently checked through operations review process.  Contacts: Leon Clements, UTMB, Vice President for Managed Car Jim Laible, TTUHSC, Vice President for Managed Care	
<u>Management's Response from Original Report:</u>		
<i>The CMHCAC partners concur in principal with the need to insure the consistency of access to care, but offer an alternate solution to using a manual logging system. The electronic medical record and electronic clinical management systems currently being reviewed and implemented will provide a consistent means to collect access to care data.</i>		

Agency No. 696  
**Department of Criminal Justice**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Correctional managed health care lacks a comprehensive monitoring system.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Health Services Division management should continue its efforts to enhance and automate the grievance and liaison processes. As management evaluates its options with automating the grievance and liaison correspondence processes, management should identify critical success factors:</p> <ul style="list-style-type: none"> <li>• <i>Consider streamlining the duplicative processes.</i></li> <li>• <i>Include management at all levels in identifying types of reports needed for evaluation and expand distribution of reports.</i></li> <li>• <i>Consider expanding grievance/ liaison correspondence coding list and querying function to meet management's needs at all levels in order to identify system wide and unit-specific trends and red flags.</i></li> <li>• <i>Include controls to ensure the accuracy of performance measure data.</i></li> </ul>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 2/1/99</p> <p>Management Action Plan approved by CMHCAC on March 12, 1998. Comprehensive review of monitoring mechanisms has been initiated.</p>
<u>Management's Response from Original Report:</u>	
<p><i>The CMHCAC partners concur. An action plan for automation improvements is currently underway. Additional enhancements will be considered part of the monitoring process reengineering effort.</i></p>	

Agency No. 701  
**Texas Education Agency**

**A Combined Report on Texas Education Agency**

SAO Report No. 98-021, February 1998

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
There are opportunities to enhance the efficiency of on-site monitoring of discretionary grant recipients.			
Recommendation	Status Reported by Agency		
The agency should move to have the three-year monitoring cycle eliminated for the Bilingual Education program.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 1998-99 School Year		
	<p>The Agency will propose that the elimination of the three-year monitoring cycle for bilingual education programs be recommended to the legislature. The possibility exists, however, that a change in statute may precipitate action in federal court to revisit Court Order 5281 to ensure cyclical monitoring of bilingual education programs.</p> <p>Beginning in the 1996-97 school year, bilingual education programs have been included in district effectiveness and compliance (DEC) reviews. The Division of Accountability Evaluations conducted 194 DEC visits in 1997-98. In addition to the 173 districts scheduled to receive DEC visits in 1998-99, the division will pilot on-site reviews of bilingual education programs selected through a risk-based approach.</p> <p>The Agency is acting to come into compliance with the requirement to conduct on-site visits to bilingual education programs every three years. In accordance with the recommendations in the Bilingual Monitoring Remediation Plan, the Division of Accountability Evaluations will conduct 105 bilingual education program visits between May 26, 1998 and August 7, 1998. Currently, districts are scheduled for DEC visits once every six years. To ensure that bilingual education programs are visited every three years, additional visits will need to be added to the DEC schedule every year.</p> <p>The Division of Accountability Evaluations is developing a risk-based approach and will pilot selection and visit procedures in 1998-99. Moving to a risk-based monitoring system would enable the Agency to maximize resources and provide timely oversight of bilingual education programs most in need of review.</p> <p>Contact: Dr. Carolyn Roberts, Senior Director</p>		
Management should evaluate the benefits of coordinating the on-site monitoring visits.	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b>      Target Date: Fall 1998</p> <p>The Division of Contracts and Grants Administration will use the Risk Assessment Plan for Determining Risk Level of Contracts and Grants to identify districts for on-site monitoring visits during the 1998-99 school year. Identified districts will be compared with the list of districts scheduled for District Effectiveness and Compliance evaluations. Staff in the Division of Contracts and Grants Administration will conduct monitoring visits to selected districts in collaboration with staff in the Division of Accountability Evaluations.</p> <p>Contact: Linda G. Mora, Associate Commissioner, and Earln Martin, Senior Director</p>		

Agency No. 701  
**Texas Education Agency**

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
There are opportunities to enhance the efficiency of on-site monitoring of discretionary grant recipients.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
The Agency concurs.	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Agency does not ensure school districts' financial compliance with indirect cost limits.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Independent auditors should be required to perform financial compliance testing on the Foundation School program special allocations.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Changes Two and Three to the Financial Accountability Resource Guide contained amendments that expanded financial related audit requirements of independent auditors in the area of Foundation School Program special programs. The changes were filed with the State Board of Education through notice of adoption by reference in November 1997 and May 1998. The requirements in the changes are effective for the independent auditor's procedures for the fiscal year ended August 31, 1998. The changes have been distributed in a CD-ROM format to all school districts and independent auditors (on record as district independent auditors for the fiscal year ended August 31, 1997). Exhibit 2 of the Auditing Module, entitled Compliance with Laws and Regulations, specifically references the 85% expenditure requirement for FSP program allotments.</p> <p>Contact: Tom Canby, Sr. Division Director</p>

Agency No. 701  
**Texas Education Agency**

**Finding 2:**

**Overall Status as of 6/30/98: IMPLEMENTED**

The Agency does not ensure school districts' financial compliance with indirect cost limits.

Recommendation	Status Reported by Agency
<p>The agency should develop procedures for the independent auditors' tests of transactions and reporting of results.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Changes Two and Three to the Financial Accountability Resource Guide contained expanded audit procedures and guidance for independent auditors. The changes were filed with the State Board of Education through notice of adoption by reference in November 1997 and May 1998. The requirements in the changes are effective for the independent auditor's procedures for the fiscal year ended August 31, 1998.</p> <p>The changes have been distributed in a CD-ROM format to all school districts and independent auditors (on record as district independent auditors for the fiscal year ended August 31, 1997). The Auditing Module provides detailed procedures and guidance for auditors including procedures for auditing PEIMS fiscal data. In addition, the Division of School Financial Audits conducted training for independent auditors of public schools on June 8, 1998, under the sponsorship of the Texas Society of Certified Public Accountants. The training covered audit activities relating to Foundation School Program special programs, and other topics relating to financial accounting and audit requirements applicable to Texas school districts.</p> <p>Contact: Tom Canby, Sr. Division Director</p>

Management's Response from Original Report:

*Texas Education Agency (TEA) management concurs. TEA will implement the recommendations by expanding existing guidelines provided to independent auditors.*

Agency No. 701  
**Texas Education Agency**

<b>Finding 3:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
There are no standards for all divisions to follow for developing and maintaining information systems.			
Recommendation	Status Reported by Agency		
<p>Management should continue to refine the data editing process to improve the quality of data submitted by school districts.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: September 1998</p> <p>A project team of Information Systems staff and customers has completed a statement of work and specifications for a set of cross-collection validity and reasonableness checks. These specifications are scheduled to be implemented, in the form of an electronic report to districts and Education Service Centers, in time to be applied to 1998-99 Fall PEIMS submission data.</p> <p>In addition, a scope of work and implementation plan for improvements to the PEIMS Editor application will be completed this summer. The Editor will be rewritten in an object-oriented language, which will facilitate ongoing review of edits for quality and completeness, as well as streamline the implementation of edit content improvements as they are identified on an ongoing basis. The existing edits in the application have been incorporated into the Enterprise Data Model, thus providing detailed documentation to support the redesign effort.</p> <p>Finally, TEA continues to refine edits and add new edits each year, based on input from program area staff and advisory groups, as well as Information Systems staff's ongoing review and annual testing of the Editor application.</p> <p>Contact: Ann Payn, Information Systems</p>		
<p>Management should emphasize to all divisions developing and maintaining systems that consistent application of system development standards is beneficial and required to ensure that accurate and complete information is produced.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/98</p> <p>Definition of scope and format of a system development methodology policy for the agency is in progress. By August 1998, Information Systems will present a proposed agency methodology policy to ISAC and IPC for review and approval. The proposed policy will feature a "checklist" of standards for data and application quality, security, documentation, and project management, and definition of review and management processes for ensuring that standards are met. The policy will instruct development managers to coordinate with and obtain input from appropriate Information Systems staff and methodology documentation to ensure that practices comply with standards.</p> <p>Contact: Ann Payn, Information Systems</p>		
<p><u>Management's Response from Original Report:</u></p> <p><i>The agency has begun improving the PEIMS edits. Information Systems will work with customers to develop a reasonable set of systems development standards. Target date for agency implementation is September of 1998.</i></p>			

Agency No. 701  
**Texas Education Agency**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Agency is working on enhancements to improve the quality of data used in calculating the student dropout rate. Until these enhancements are implemented in September 1998, districts are still potentially at risk of underreporting current dropouts in their PEIMS submissions.</p>	
Recommendation	Status Reported by Agency
<p>Encourage the continued use of the Special Data Inquiry Unit to investigate the causes of campuses reporting high numbers, or a high percentage, of withdrawn students.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Data on withdrawal rates for the previous year becomes available during the third quarter of each fiscal year. The Special Data Inquiry Unit will investigate 76 campuses in 43 districts that reported high percentages of withdrawals in the 1996-97 school year. On-site visits will be conducted to 32 campuses in 17 districts reporting high withdrawal rates for two consecutive years.</p> <p>Contact: Linda G. Mora, Associate Commissioner</p>
<p>Management should implement the newly developed leaver codes as soon as possible.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 1998-99 School Year</p> <p>The new leaver records and codes are described in the 1998-99 PEIMS Data Standards, which were finalized and distributed to districts in March 1997. The new records and codes will be used to obtain information on all school leavers in grades 7 through 12.</p> <p>As was stated in the initial response, information on students who leave school in the 1997-98 school year will be reported in the Fall 1998-99 PEIMS collection, and will be available in February 1999. Since districts cannot complete reporting of leavers for a given school year until the following school year, the Fall 1998-99 collection (the first submission during the 1998-99 school year) is the earliest that the new record and codes can be applied.</p> <p>Contact: Ann Payn, Information Systems</p>
<p><u>Management's Response from Original Report:</u></p> <p>The Agency plans to continue to use the Special Data Inquiry Unit.</p> <p>The Agency already has taken steps to implement district-level use of leaver records and codes.</p>	

Agency No. 701  
**Texas Education Agency**

<b>Finding 5:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Weaknesses exist in performance evaluations for nonclassified employees.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Management should ensure that the employee performance evaluation system is consistently applied to all employees, including nonclassified employees.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>In December 1996, performance evaluations became required for senior exempt staff. It took a full year to complete evaluations of all staff. The January 1998 follow up audit found that a test of 19 classified employees who received pay increases between December 1, 1996 and May 1, 1997 were supported with current performance evaluations.</p> <p>Contact: Harvester Pope, Human Resources</p>	
Annual performance evaluations should be prepared as part of an employee's developmental process.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>See text above.</p> <p>Contact: Harvester Pope, Human Resources</p>	
All pay actions should be supported by a current performance evaluation.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>See text above.</p> <p>Contact: Harvester Pope, Human Resources</p>	
<p><u>Management's Response from Original Report:</u></p> <p>Performance evaluations for senior exempt staff became effective in December 1996.</p> <p>It has taken a full year's cycle to complete annual evaluations.</p> <p>All senior staff pay changes have followed appropriate state laws.</p>		

Agency No. 701  
**Texas Education Agency**

<b>Finding 6:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The approval process for professional service contracts needs improvement.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Establish time frames and dates for the development and implementation of the Grants Tracking Log.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: September 1998  The log has been designed as a module in ISAS. Coding will begin in early July. Implementation is set for September 1998  Contact: Dan Arrigo, Internal Operations	
Employees with authority to approve contracts must have the knowledge, skills, and abilities to carry out the responsibility.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: February 1998  TEA employees with authority to approve contracts have been trained over the last 4 years. A revised operating procedure governing contracts was signed last March. The agency is moving toward implementation of a risk-based contract monitoring process. The agency's contracts manual is being updated.  Contact: Dick Jarrel, Internal Operations	
<i>Management's Response from Original Report:</i>		
<i>Management will review the present time frames and dates of the Grants Tracking Log, and whether this project should be contracted or developed in-house.</i>  <i>Over the last four years, training has been implemented for those individuals signing contracts and those individuals assisting signatories in preparing contracts.</i>		

Agency No. 701  
**Texas Education Agency**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Agency does not require all departments to have performance measures to determine the quality of their services.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Management should extend the departmental performance measurement initiatives undertaken in the Department of Internal Operations to all Agency departments.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Agency departments have completed and are now implementing performance measures for their divisions.</p> <p>Contact: Deputy Commissioner for Finance and Accountability, Olga Garza</p>
<p><i>Management's Response from Original Report:</i></p> <p>The recommendations will be addressed by the strategic planning and work standards initiative coordinated in the Deputy Commissioner's Office for Finance and Accountability.</p>	

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Agency's property accounting records have not been reconciled to the State Property Accounting System in more than five years.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Management should ensure that reconciliations between the Agency's property records and the State Property Accounting System are performed on a monthly basis.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: Fall 1998</p> <p>Inventory has been completed. Implementation of the ISAS Assets Management module will support this process.</p> <p>Contact: Office Services, Mark Walla</p>
<p><i>Management's Response from Original Report:</i></p> <p>The Agency concurs. The agency is in the process of purchasing an Integrated Statewide Administrative System (ISAS). Full implementation is planned for this fiscal year.</p>	

Agency No. 701  
**Texas Education Agency**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED PARTIALLY</b>
-------------------	--

There is a concern over the increasing number of Charter Schools.

Recommendation	Status Reported by Agency
<p>As the number of charter schools increases, the Agency should assign a corresponding level of resources to appropriately monitor this activity</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: August 1, 1998</p> <p>The charter school staff is being increased from the original two persons (the director and one clerical support staff member) to three professional staff members (including the director), one full-time clerical support staff member, and one temporary clerical support to assist through the application period for new charter schools. This recommendation is being reported as in progress, as one professional position is vacant and currently posted. Estimated date for filling the position and reporting the recommendation as fully implemented is August 1, 1998.</p> <p>It is not necessary to assign a corresponding number of staff to the Charter Schools Division as the number of charter schools increases because other divisions and units within the Agency share the responsibility for monitoring and support of the charter schools. While the Charter Schools Division is the primary contact for Charter Schools matters, a large part of their role is to facilitate the interaction of the schools with other divisions of the Agency. These divisions include: Accelerated Programs (federal program funding), Accreditation and District Effectiveness and Compliance, Advanced Academics (formerly Gifted and Talented), Child Nutrition, Curriculum and Instruction, Instructional Technology, Legal Division, Special Education, State Funding and Finance, School Financial Audits, Textbooks, Transportation, and the Waiver Unit.</p> <p><i>These divisions have already encountered a significant increase in workload due to charter schools.</i></p> <p>In addition, support is provided outside the Agency by the State Board of Educator Certification and the University Interscholastic League, as necessary. The Charter School Resource Center that originated from the Governor's Business Council also provides technical support to the charter schools.</p> <p>Contact: Charter Schools Division, Brooks Flemister</p>

Management's Response from Original Report:

*The Agency concurs.*

Agency No. 715  
**Prairie View A&M University**

**An Audit Report on Management Controls at Prairie View A&M University**

SAO Report No. 98-012, January 1998

<b>Finding 1A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Policies and procedures in the areas of contracting, purchasing, and information services were found to be inadequate.	
Recommendation	Status Reported by Agency
Management should identify missing or inadequate policies and procedures that need to be addressed and documented.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>(1) System Policy Manual completed and reviewed.            (2) Issued new Administrative Procedures Manual (APM) &amp; Rules.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 3/30/98, Wardrup and Glenn</p> <p>Contact: Mr. Willie Tempton, President for Finance Administration</p>
<i>Management's Response from Original Report:</i>	
We agree that our procedures relating to procurement contracting and contract amendments can be enhanced and plan to make the necessary revisions by March 31, 1998. We also agree that our procedures related to our student information system data control procedures can be enhanced and plan to complete this task by June 30, 1998.	

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Some human resource practices do not comply with policies and regulations.	
Recommendation	Status Reported by Agency
Human resources management should review state personnel requirements applicable to these areas in the organization and ensure that personnel procedures and activities are compliant with these requirements.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>HR reorganized to address these issues.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 6/5/98, Wardrup and Glenn</p>
Human resources management should identify weaknesses in personnel practices and establish information and training programs.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>New employees hired &amp; trained to address these issues per departmental operating plan.</p>

Agency No. 715  
**Prairie View A&M University**

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Some human resource practices do not comply with policies and regulations.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Human Resources Department should also make sure that personnel forms are completed with accurate and suitable information and that resulting reports are reliable.	Status as of 6/30/98:  New employees hired & trained to address these issues per departmental operating plan.
<i>Management's Response from Original Report:</i>	
We agree with the recommendations of the State Auditor and plan to have the necessary changes fully implemented by June 30, 1998	

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Management's use of interim positions may not promote optimum personnel selection decisions because one cannot ensure that the most qualified individuals are being appointed to fulfill the needs of the University.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
University management should ensure that its hiring and selection practices for interim personnel who later become permanent consistently ensure obtaining a pool of qualified applicants from which to fill available job positions.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Addressed in APM 60.01; 7 of 8 interim positions identified are no longer in Interim status.  <u>Implementation Verification:</u>  1st Review: Special Projects 5/30/98, Glenn and Wardrup
Supporting documentation for these personnel selection decisions should be maintained according to established records retention guidelines so that inquiries may be adequately addressed.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Addressed in Dept. Operating Plan  <u>Implementation Verification:</u>  1st Review: Special Projects 5/30/98, Glenn and Wardrup  Contact: Mr. Ronald Jones, Vice President for Student Affairs

Agency No. 715  
**Prairie View A&M University**

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Management's use of interim positions may not promote optimum personnel selection decisions because one cannot ensure that the most qualified individuals are being appointed to fulfill the needs of the University.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><u>Management's Response from Original Report:</u></p> <p><i>We acknowledge the fact that most of fiscal year 1997 we had eight interim appointments in management positions; however, given the University's historically low turnover rate, would consider this to be abnormal. We are well aware of the potential negative impact that long-term interim appointments can have, but have been patient to identify the optimal structure and candidates before filling the positions in question. Regardless, we anticipate bringing closure to the interim appointments identified by the auditors soon.</i></p> <p><i>The need to maintain documentation relating to job applicants have been reiterated to the Office of Human Resources especially to remain in compliance with the TAMUS Records Retention Policy.</i></p>	

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>Current accounting and reporting procedures do not ensure that only eligible semester credit hour data is reported to the Higher Education Coordinating Board for formula funding purposes.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Management should ensure that accounting and reporting procedures result in capturing and reporting only eligible semester credit hour data to the Higher Education Coordinating Board for formula funding purposes. Data reported should also be accurate per established criteria.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The Financial Aid Office, Office of Developmental Studies and the Graduate school have implemented enhanced procedures to address errors noted. We will continue the process of testing and enhancing procedures to ensure continued compliance and improved accuracy.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 6/25/98, Wardrup and Glenn</p> <p>Contact: Mr. Ronald Jones, Vice President for Student Affairs</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We agree that current procedures and practices can be improved to help ensure that we report only eligible semester credit hours to the Higher Education Coordinating Board for formula funding. The purpose of our extensive review was not only to identify and report error for self-deletion, but also identify and address weaknesses in our data collection and reporting procedures. Our first effort was to address weaknesses in TASP compliance controls, which results in a significant reduction of errors for the Spring 1997 semester. We have since added additional control procedures in the Fall 1997 semester. We will continue to review this process each semester and continue to refine procedures and controls as necessary.</i></p>	

Agency No. 715  
**Prairie View A&M University**

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Some accounting practices for the collection of tuition and fees do not ensure the University will receive payment.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Management should improve its revenue practices so as to ensure that student obligations are enforceable. Installment payment plans should be signed by the student to comply with state statutes. Management should also improve its procedures over the use of "financial aid pending" receivables to enhance collectibility.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Installment Payment Plan document is now signed at Registration, financial aid pending receivables have been eliminated and only delayed disbursements for qualified students are allowed per Administrative Procedures, and department procedures meet Coordinating Board criteria.</p> <p>Contact: Mr. Ronald Jones, Vice President for Student Affairs</p>
<i>Management's Response from Original Report:</i>	
<p><i>We will begin requiring students to sign an Installment Payment Plan document, effective with the Spring 1998 semester. We will also continue to review current procedures and practices for possible enhancements.</i></p>	

<b>Finding 2-C:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Some purchasing activities reviewed were not in compliance with established state regulations or in line with good business practices.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>University management should take steps to improve purchasing practices to eliminate instances of technical noncompliance with established General Service Commission requirements and Historically Underutilized Business regulations. An assessment should be conducted to determine why noncompliance occurred, and corrective actions should be implemented.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>(1) Technical noncompliance addressed in Oct. 1997.  (2) Corrective procedures implemented in Sept. 1997.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 11/15/97, Wardrup and Glenn</p>

Agency No. 715  
**Prairie View A&M University**

**Finding 2-C:**

**Overall Status as of 6/30/98: IMPLEMENTED**

Some purchasing activities reviewed were not in compliance with established state regulations or in line with good business practices.

Recommendation	Status Reported by Agency
<p>Management should also evaluate patterns of routine purchases to identify where planning improvements are needed and where economies and efficiencies can be gained.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Now performed by Purchasing Agent</p> <p><u>Implementation Verification</u></p> <p>1st Review: Special Projects 3-17-98, Glenn and Wardrup</p>
<p>Policies and procedures for contract revisions should be enhanced to establish appropriate controls in the revision process to prevent excessive authority residing with any one individual.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Per directive, contract revisions are routed through same approval process as original contract and risk is addressed. Written procedures submitted June 29, 1998.</p>
<p>Contracting terms, such as bonding requirements, should be verified for compliance, especially when contracts have been amended.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Bonding requirements are verified for compliance with System Policy.</p> <p><u>Implementation Verification</u></p> <p>1st Review: Special Projects 4-14-98 Glenn and Wardrup</p> <p>Contact: Mr. Willie Tempton, Vice President for Finance and Administration</p>

Management's Response from Original Report:

- With respect to off state contract purchases, we have reviewed them with appropriate General Service Commission staff and have been advised that the justifications provided to the auditors, while acceptable for purchasing off state contracts, could be strengthened or enhanced. The University's Purchasing Agent will continue to monitor such purchases to ensure that we continue to meet the General Services Commission standards and make improvements where possible.
- With respect to HUB compliance, we acknowledge that we have not achieved the state's expenditure goals and will continue to make a concerted effort to achieve these goals. We will review our current procedures relating to reporting of HUB subcontractor information and make the necessary improvements. We anticipate having this completed by February 28, 1998.
- Our Purchasing Agent has been instructed to review departmental purchases on a monthly basis for potential opportunities for operating efficiencies and cost savings. With respect to the authorized signers list, current University staff was unaware of a separate authorized signers list maintained by the General Services Commission for Sole Source Justifications. An undated authorized signers list was submitted to the General Services Commission on October 20, 1997 and a copy was provided to the State Auditor's Office.
- Current procedures can be enhanced and plans are to make the necessary revisions by March 31, 1998.

Agency No. 715  
**Prairie View A&M University**

<b>Finding 2-D:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
University management cannot ensure that all fixed-asset resources in the organization are adequately protected and safeguarded from loss.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
University management should strengthen known or detected areas of weaknesses in fixed-asset management processes to ensure that all fixed assets required to be accounted for are assigned unique identification numbers.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98  Procedures have been drafted. Implementation has not been tested.
Asset verification should be performed regularly and discrepancies should be resolved immediately, with appropriate documentation maintained.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Asset verification activities & resolution of discrepancies have been increased.
The University's database should be periodically verified for accuracy and completeness.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98  Contact: Mr. Willie Tempton, Vice President for Finance and Administration
<i>Management's Response from Original Report:</i>	
<ul style="list-style-type: none"> <li>• We have identified 35 of the 37 items tested and properly tagged and updated the inventory listing, as appropriate.</li> <li>• We are currently reviewing the procedures for fixed-asset tagging and inventorying for possible enhancements to provide improved accountability and accuracy. We plan to make the necessary procedural changes by March 31, 1998.</li> </ul>	

Agency No. 715  
**Prairie View A&M University**

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Operational decision-making by University management may be deficient because some key data and information is not accurate, cannot be easily obtained, and is not protected from loss.	
Recommendation	Status Reported by Agency
<p>An analysis of University-wide information should be formally conducted to determine common and unique software and data system needs. Corrective improvements should include: (1) information sharing for common needs identified, and (2) prioritized system development where key needs are not being met.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Needs survey conducted via network. SDLC provides for prioritized system development.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 6/24/98, Wardrup and Glenn</p>
<p>The existing data management policy and procedures manual needs to be more effectively communicated.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Procedures relating to users were added to APM.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 6/24/98, Wardrup and Glenn</p>
<p>Data input and access procedures should be implemented and controlled to ensure that key information is protected from inappropriate access, manipulation of existing data, or possible irrecoverable loss.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Access and security issues addressed in APM.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 6/24/98, Wardrup and Glenn</p>
<p>Data safeguarding procedures should address backing up data and proper storage activities for all University computer uses.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>By memorandum and by update of disaster recovery plan.</p> <p><u>Implementation Verification:</u></p> <p>1st Review: Special Projects 6/24/98, Wardrup and Glenn</p> <p>Contact: Mr. Willie Tempton, Vice President for Finance and Administration</p>

Agency No. 715  
**Prairie View A&M University**

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Operational decision-making by University management may be deficient because some key data and information is not accurate, cannot be easily obtained, and is not protected from loss.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<ul style="list-style-type: none"> <li>• We agree that an assessment of the University-wide information system needs should be performed as a basis for future operation of the University's Information Systems Department.</li> <li>• Management is currently reviewing other considerations such as restructuring and potential cost saving efforts. We anticipate completing this task by March 31, 1998.</li> <li>• The management policies and procedures manual could be enhanced and better communicated and we anticipate completing this task by March 31, 1998.</li> </ul>	

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Management's system for the evaluation of non-academic performance information is not sufficient to determine if operations are effective or efficient in achieving established goals and objectives.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Performance measure systems should reflect performance targets and priorities in line with the University's strategic plan.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/99 Linkage methodology from State Goals through Departmental Operating Plans developed and Finance Division is performing pilot project for this methodology.
The systems should also routinely monitor and analyze both interim and final outcomes of those operations and departments to determine if results are meeting expectations.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/99
Resulting information generated from the monitoring systems developed should be used to adjust and improve progress toward overall University goals, objectives, and strategies.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/99

Agency No. 715  
**Prairie View A&M University**

<b>Finding 3-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Management's system for the evaluation of non-academic performance information is not sufficient to determine if operations are effective or efficient in achieving established goals and objectives.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The systems should be structured to detect deviations in a timely manner so that corrective action can be implemented to prevent crisis situations from evolving.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/99</p> <p>Contact: Mr. Willie Tempton, Vice President for Finance and Administration</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Improvements can be made in our performance measurement systems for non-academic operations and we will continue to make refinements. We would, however, point out that many tasks do not lend themselves to benchmarking, that tracking mechanisms for certain tasks could be more costly than any potential benefit, and that priority of tasks change frequently based upon circumstances (both controllable and uncontrollable). Consequently, we anticipate such improvements to be made on a selected basis.</i></p>	

Agency No. 721  
**The University of Texas at Austin**

**A Limited Review of Management Controls at The University of Texas at Austin**

SAO Report No. 98-018, January 1998

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
<p>Certain faculty members have repeatedly failed to comply with safety procedures established by university management.</p>			
Recommendation	Status Reported by Agency		
<p>Management should hold faculty and students responsible for laboratory conditions. Implement available sanctions for chronic violators of safety policies, including placing holds on grants, issuing negative performance reviews, closing laboratory facilities, suspending violators from laboratories, and/or formally censuring violators.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/98</span></p> <p>A database system for gathering information from laboratory inspections has been developed. This system will enable the Office of Environmental Health and Safety to send to University management information such as "chronic" violators of safety policies. Reports from OEHS will, in turn, enable University management to impose available sanctions for anyone repeatedly violating University safety policies. The internal reports from this system will be distributed by September 1, 1998.</p>		
<p>The Office of Environmental Health and Safety should analyze the results of inspections to identify isolated problems and University-wide trends. OEHS should send summarized statistics on violators to administrative as well as academic management. Statistics should include the faculty member's name, lab, and number of times/dates the policy was violated.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/98</span></p> <p>As of January 1, 1998, all laboratory inspections are recorded in a database system developed by OEHS. This database will enable OEHS to send to Deans, Directors, and Principal Investigators statistical information regarding laboratory inspections, including repeated violations of University safety policies. As data from inspections is gathered, the system will enable OEHS to identify University-wide safety trends. The Office of Environmental Health and Safety currently is determining the types of information needed and the method for communicating this information. Initial reports are expected to be distributed by September 1, 1998.</p>		

Agency No. 721  
**The University of Texas at Austin**

<b>Finding 1:</b> Certain faculty members have repeatedly failed to comply with safety procedures established by university management.	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The University should ensure that its safety training system includes monitoring to identify students, lab assistants, and employees who do not have training required by University policy or state statutes.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  The Office of Environmental Health and Safety has distributed the following checklist and brochures to Deans, Directors, Chairs and other personnel responsible for activities affected by environmental health and safety issues: <ul style="list-style-type: none"> <li>• <i>Hazards Communication Act Site - Specific Training Record With Training Checklist</i></li> <li>• <i>OEHS Safety Bulletin - Training Requirements</i></li> <li>• <i>Laboratory Employees Safety Training Checklist</i></li> <li>• <i>The University of Texas at Austin Hazard Communication Program brochure</i></li> <li>• <i>Laboratory Training: Step-by-Step Guide to Laboratory Training brochure</i></li> </ul> <p>These materials outline for supervisors training requirements based on the activities of their employees. The TXCLASS computer system has been implemented giving supervisors the ability to review the training history of their employees and to evaluate additional training needs. The new Director has not been hired yet but the search committee is active.</p>
<u>Management's Response from Original Report:</u> <ul style="list-style-type: none"> <li>• The new Director, whom should begin by April 1, 1998, will coordinate the implementation of corrective actions identified in this report and ensure that all safety related issues and policies are addressed continuously and monitored.</li> <li>• Each report of repeated laboratory safety violations would be reviewed.</li> <li>• Safety training needs have been assigned to each department.</li> <li>• Beginning in January of 1998, an annual written reminder will be sent to supervisors so that they may monitor the training requirements of individuals working under their supervision.</li> <li>• Staff in Administrative Computing Services is modifying the TXCLASS computer system to provide a training history for employees.</li> </ul>	

Agency No. 721  
**The University of Texas at Austin**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Risk assessment and planning are not complete for renovations of certain research buildings and residence halls.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>The University should complete its risk assessment and its long-term implementation plans for renovating campus facilities, particularly with respect to research buildings and residence halls. The risk assessments should include documentation of criteria used for prioritization of projects. Amendments to existing plans should contain short- and long-term deadlines for implementation, identify funding requirements, and be monitored by executive management.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b></p> <p>The University's Physical Plant currently is negotiating a contract with an engineering firm to perform a study of safety related issues in all University facilities. The study is expected to require sixteen weeks to complete. Based on the results of this study, Physical Plant will develop a campus-wide renovation implementation plan.</p>	
<p>The Fire Marshall's Office should analyze the results of inspections to identify the trends in violations of building safety procedures. Summarized statistics relating to recurring noncompliance should be reported to executive management.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/98</span></p> <p>The Fire Marshall's Office currently is gathering statistical information from ongoing building inspections. This information will be used by the Fire Marshall to report to university management on campus-wide fire safety issues. The initial report, for calendar year 1998, is expected to be distributed by January 1, 1999. Additionally, the Fire Marshall is developing a plan for the continual assessment of fire safety in University residence halls. A final long-range plan for residence hall fire safety will be completed by September 1, 1998.</p>	
<i>Management's Response from Original Report:</i>		
<ul style="list-style-type: none"> <li>• The University Fire Marshall will perform a fire safety assessment of all residence halls.</li> <li>• The Director of Physical Plant, Director of OEHS, and Director of H&amp;F also will develop a risk assessment.</li> <li>• Effective January 1, 1998, the Fire Marshall will prepare a calendar year annual report for executive management that will include an analysis of the results of fire inspections and identify trends relevant to fire safety on campus.</li> </ul>		

Agency No. 721  
**The University of Texas at Austin**

<b>Finding 3:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
The audit plan and other key internal audit responsibilities have not been completed.			
Recommendation	Status Reported by Agency		
<p>The Internal Auditor should formally reevaluate the current audit plan and risk assessment each quarter to determine whether or not carry-over projects are critical enough to divert time from current plan projects. Any recommended changes to the current plan should be formally approved, reported to the Internal Audit Committee at its meetings, and documented in the minutes.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The progress on the current audit plan is assessed each month by the Office of Internal Audits and reported to the Internal Audit Committee at each meeting. Changes discussed at February 1998 IAC meeting have been formally approved by Vice President for Administration and Legal Affairs.</p>		
<p>University management should identify other departments that can provide technical assistance for audit recommendations as well as non-audit special projects.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>                      Target Date:</p> <p>Consideration is being given to the need for units outside the Office of Internal Audits to provide technical assistance to departments. To date, the amount of time spent by Internal Audits in technical assistance has been minimal.</p>		
<p>Follow-up audits should be performed on a timely basis. Follow-up audit procedures should be developed and documented in accordance with the peer review recommendation.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>All follow-up work (on audits completed since FY 1995) has been completed. In accordance with directives from The University of Texas System, the status of all internal audit recommendations is reported to the Board of Regents on a quarterly basis. Accordingly, Office of Internal Audits' policy has been revised to require follow-up on all audits within 90 days of the report issuance (unless the specified implementation date is after that period).</p>		
<i>Management's Response from Original Report:</i>			
<i>The University agrees with the three recommendations.</i>			

Agency No. 721  
**The University of Texas at Austin**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The content and format of the Office of Internal Audits' reports to the Internal Audit Committee does not accurately reflect the allocation of audit resources and the associated impact on the audit plan.	
Recommendation	Status Reported by Agency
All deviations from the original audit plan should be formally approved, reported to the Internal Audit Committee at its meetings, and documented in the minutes.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Changes to FY 1998 Audit Plan proposed at the February 1998 IAC meeting were approved formally by the Vice President for Administration and Legal Affairs.
Each Internal Audit Committee status report should reflect the percentage of the audit plan completed and compare budgeted to actual hours for all audits.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Each Internal Audit Committee meeting packet includes a status report showing the status of each audit project, budgeted hours and actual hours incurred to date.
Peer review recommendations should be reviewed for implementation and the status of any recommendations not implemented should be communicated to the Internal Audit Committee.	Status as of 6/30/98: <b>IMPLEMENTED</b>  A report on the status of Internal Audits' 1995 peer review recommendations was presented to the Internal Audit Committee at its December 1997 meeting. Four of eight recommendations were reported as implemented. The other four—in progress in December 1997—have been implemented and the related policy changes incorporated into the revised office manual.
<i>Management's Response from Original Report:</i>	
<i>The University agrees that communications with the Internal Audit Committee can be enhanced.</i>	

Agency No. 721  
**The University of Texas at Austin**

<b>Finding 5:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
<p>The Office of Internal Audits has not established performance measures on updated goals and objectives. Performance evaluations have not been performed in accordance with University policy. Revise internal audit policies and procedures manual.</p>			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
Update its goals and objectives.		Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 9/98
		<p>Formal goals and objectives, including performance measures, will be developed and incorporated into the Fiscal Year 1999 – 1999 Audit Plan which will be reviewed by the IAC and approved by the President in September 1998.</p>	
Performance measures should be adopted and reported to the Internal Audit Committee.		Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 9/98
		<p>See status above regarding formal goals and objectives.</p>	
Performance evaluations should be performed at a minimum annually.		Status as of 6/30/98: <b>IMPLEMENTED</b>	
		<p>All performance evaluations are current and will be performed as required by office and University policy.</p>	
Internal Audit's policies and procedures manual should be updated.		Status as of 6/30/98: <b>IMPLEMENTED</b>	
		<p>A comprehensive review of office policies and practices was made and the office manual has been updated to reflect all current policies and practices. An electronic (WEB-based) version of the manual has been developed in order to facilitate in order to facilitate periodic revisions.</p>	
<i>Management's Response from Original Report:</i>			
<p><i>Written performance measures have been reviewed periodically but have not been stated in a quantifiable manner. The audit manual is in the process of being updated and should be completed by February 1, 1998.</i></p>			

Agency No. 721  
**The University of Texas at Austin**

**Finding 6:** **Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED**

Procedures for monitoring royalty income owed to the University are not fully implemented.

Recommendation	Status Reported by Agency
<p>Exercise revenue monitoring procedures.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 9/98</span></p> <p>The University's standard license agreement includes a provision for assessment of late payment penalties. The Office of Technology Licensing and Intellectual Property (OTL) will negotiate with prospective licensees to include this provision in all relevant licenses and option agreements. The standard license agreement also requires licensees to submit sales and financial reports in accordance with a negotiated schedule.</p> <p>The Office of Technology Licensing and Intellectual Property is in discussion with an accounting firm specializing in technology transfer agreement audits. Criteria are being developed which will enable OTL to identify agreements/licenses that should be audited. These criteria may include: timeliness of information and financial reports, unexplained variances in financial results, deviations from established goals, unexplained fluctuations in royalties reported or paid, and other information received by OTL that indicates that an audit is appropriate.</p>
<p>Implement procedures for tracking inventions released to faculty and graduate students.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>In the past, a letter has been sent by OTL to faculty and graduate students whose inventions have been released by the University. That letter has been modified to include a paragraph reminding the inventor to inform OTL on September 1st of each year of efforts to patent (or register as a copyright) an invention, changes in patent status and royalties or other payments due the University.</p> <p>The Office of Technology Licensing and Intellectual Property will follow up on any letters not received by September 30th. Additionally, beginning in fiscal year 1999, OTL will compare released inventions with the U.S Patent Office database to identify those inventions for which patents have been received and royalties or other payments may be due.</p>

Management's Response from Original Report:

*The University agrees with the recommendations.*

Agency No. 721  
**The University of Texas at Austin**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Office of Technology Licensing has not sufficiently developed procedures for implementing the patent technology process, which could potentially cause inefficiencies or confusion.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Modify draft procedures and make available to research faculty.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>The Office of Technology Licensing and Intellectual Property has drafted written procedures. These procedures will be made available to faculty and students upon review and approval by the Intellectual Property Committee and the University's administration. Expected implementation date is September 1, 1998.</p>
<p><i>Management's Response from Original Report:</i></p> <p><i>Written procedures that distinguish the different processes and criteria followed for patent proposals received will be available to faculty and students by May 1, 1998.</i></p>	

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Methods for maintaining data on problems with contractors, materials, or equipment are not consistent.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop standard forms to use for documenting non-conforming conditions.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>A standard inspection form has been drafted and will be implemented upon review and approval by the University's administration. Expected implementation date is September 1, 1998.</p>
<p><i>Management's Response from Original Report:</i></p> <p><i>The University will develop standard forms.</i></p>	

Agency No. 721  
**The University of Texas at Austin**

<b>Finding 9:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
New and existing employees in the Physical Plant require a formal training plan to enhance technical skills.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop a departmental training policy for both supervisors and staff.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: FY 1999</p> <p>The University's Physical Plant has employed a training professional on a full-time basis to develop a formal training policy. A draft of the policy is expected by July 1998, with implementation in fiscal year 1999 upon review and approval of the University's administration.</p>
<i>Management's Response from Original Report:</i>	
<i>The existing training policy will be expanded. The Physical Plant is recruiting a Training Coordinator who will develop and monitor training for employees.</i>	

<b>Finding 10:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Access to Cashier's Checks provided as bid securities are not restricted. Checks are not tracked in a log, and they are stored with in unlocked file cabinets.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Use a check log to record when cashier's checks are received and distributed.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The Physical Plant has established a check log and lock box system for cashier's checks received from contractors as deposits.</p>
Use a lock box to store checks.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>See above statement.</p>
<i>Management's Response from Original Report:</i>	
<i>A check log is being used already and a lock box will be purchased.</i>	

Agency No. 724  
**The University of Texas at El Paso**

**Management Control Audit at The University of Texas at El Paso**  
 SAO Report No. 98-023, February 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Information systems lack certain planning, purchasing, and security controls.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Reevaluate Information Resources priorities (including the student information system) and establish a clear process regarding how to address them. This would include modifying existing plans to reflect any changes in goals or priorities so that effective tracking and communication are facilitated.	Status as of 6/30/98: <b>IMPLEMENTED</b>  The Operating Plan, September 1997 - August, 1999 for the Division of Finance and Administration includes strategic initiatives and implementation dates for the Networking and Telecommunications Services Dept., the Information Technology Services Dept., and the Customer Technology Services Dept. The Biennial Operating Plan submitted to the Dept. of Information Resources documents information resource priorities, and includes all information technology projects that have been undertaken. A new student information system (Banner 2000) was purchased last year and will be fully operational for the Summer 1998 semester.
<i>Management's Response from Original Report:</i>	
<i>The student information system must be continuously upgraded to keep pace with growing enrollment and data reporting requirements. We will save an estimated \$2 million by upgrading our current system rather than purchasing a new one. We will continue our efforts to seek external grant funds and other creative strategies to finance the \$2.5 million cost of upgrading the UTEP's student information system.</i>	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The University does not monitor computer-related purchases for cost effectiveness.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Establish policies and procedures to ensure that computer-related purchases are monitored for cost effectiveness.	Status as of 6/30/98: <b>IMPLEMENTED</b>  In May 1998 policies and procedures for technology equipment purchases were implemented. These will effectively control technology equipment purchases, ensure compatibility, and maximize savings through volume purchasing. The Technology Corner is the University's centralized coordinator to administer these policies.
<i>Management's Response from Original Report:</i>	
<i>The Vice President for Finance and Administration has developed and will disseminate guidelines for computer-related purchases above a threshold that will be determined by the automation steering committee. Policies and procedures will be developed by April 30, 1998, to ensure that all technology purchases over \$1,000 are properly approved either by the Technology Corner for new computer and software purchases, or by the technical experts within the Information Technology Services and Network and Telecommunications.</i>	

Agency No. 724  
**The University of Texas at El Paso**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The strategic plan for athletics does not have specific goals and strategies with target dates for completion.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Update the strategic plan for athletics. The strategic plan should have specific goals and strategies with target dates for completion.	Status as of 6/30/98: <b>IMPLEMENTED as of May 15, 1998</b>  The strategic plan for athletics has been updated as of May 15, 1998. The plan contains goals, strategies, and a time table for completion.
<i>Management's Response from Original Report:</i>	
The UTEP Intercollegiate Athletics Department has actually prepared two strategic planning documents during the past two years. The first, which was completed in November 1995, was developed within the context of NCAA Certification. Using the NCAA Certification Self-Study as a base, a second Strategic Plan was completed in December 1997, and comprehensively reviewed at a strategic planning retreat on January 8, 1998. The strategic plan has been completed.	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
A long-term financial plan, including annual operating budgets, based on realistic expectations of revenues has not been completed.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Determine the future costs/potential revenues of each proposed strategy before finalizing its plan. Establish a time frame beyond which, if it does not have sufficient revenues to sustain their current (or future) level of expenditures, the University must consider downsizing the department to stay within actual revenues. Have Internal Audit validate the University's financial plan and report to the State Auditor's Office by August 31, 1998.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98  A long-term financial plan, including projected operating budgets has been completed and presented to the President on May 15, 1998. Item #8 in the business Action Plan requires the development of contingency plans for revenue shortfalls by August 1, 1998. Consideration will be given to various options including across the board budget reductions, elimination of some non-revenue producing sports, reduction of administrative costs, and changing from Division I to Division II sports.

Agency No. 724  
**The University of Texas at El Paso**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
A long-term financial plan, including annual operating budgets, based on realistic expectations of revenues has not been completed.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p><i>Intensive work is underway to finalize a long-term financial plan for the Intercollegiate Athletics Program. Drafts of this plan have been reviewed and discussed in a series of meeting. Although the comprehensive financial plan is not yet complete, a number of observations should be made here for the record: First, the UTEP Intercollegiate Athletic program has for the past three years maintained a fund balance without dependence on support from other funding sources, e.g., designated funds or general fees. Second, there is at UTEP a high degree of awareness of the importance of carefully evaluating any dependence on Auxiliary Fund balances. Although these balance dropped in FY 1997, largely as a consequence of a decline in enrollment, they are being restored in FY 1998 as new revenue had been generated. Third, allocation recommendations of the Student Service Fee Committee, which has a student-majority membership, are with few exceptions approved after review by the University President. The committee is advisory, however, and the President may on rare occasions adjust allocations to respond to special institutional needs, as occurred in this instance.</i></p>	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
There is no overall plan to reduce athletic expenditures.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop and use priorities for reducing athletic expenditures in case revenues cannot support the current level of services.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 08/31/98  When finalized, the long-term financial plan will include priorities for reducing athletic expenditures.
<i>Management's Response from Original Report:</i>	
Contingency plans have been prepared to address possible revenue shortfalls, including expenditures reduction measures.	

Agency No. 724  
**The University of Texas at El Paso**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Limited progress on prior audit recommendation to develop a comprehensive marketing plan with long-term specific goals for fund-raising and strategies to accomplish those goals.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop and implement a comprehensive marketing plan with long term specific goals for fund-raising and strategies to accomplish those goals.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 08/31/98</p> <p>A marketing plan has been developed and included as part of the long-term financial plan. A Senior Associate Athletic Director for External Relations has been hired and will continue to develop fund-raising goals and strategies in support of the marketing plan.</p>
<p><i>Management's Response from Original Report:</i></p> <p><i>A marketing plan has been completed.</i></p>	

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>A cost benefit analysis to document or justify changes in policies and reorganization of program structure was not prepared.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Develop specific short- and long-term plans, goals, and objectives for developmental math, including specific target dates and ways to periodically measure progress. Review the cost-benefit of reducing some of the larger class sizes.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 08/31/98</p> <p>Effective for Fall 1998 classes, the developmental math program has been moved back to the Math Dept.; class size has been reduced; additional faculty will be hired. A plan to measure progress and to review the plan is partially developed. Additionally, a pilot Entering Student Program is being implemented in Fall 1998, composed of clustered sections of developmental writing, study skills, and freshmen sociology.</p>
<p><i>Management's Response from Original Report:</i></p> <p><i>A comprehensive restructuring of all developmental education activities has been initiated at UTEP, based upon recommendations contained in the 1997 Remediation Task Force report. Beginning in the Fall 1998 semester, entering students in the Colleges of Engineering and Science will be the first to participate in the new entering students program. The primary long-term goal, which we intend to achieve by 2003, is to increase significantly the overall student retention rate at UTEP. The University is reviewing a variety of strategies to provide developmental math education, including the implementation of cooperative learning techniques and a reduction in class size. With respect to cost-benefit determinations, any major increase in student success in developmental math courses, and in subsequent math courses, will obviously result in increases in student retention and enrollment.</i></p>	

Agency No. 730  
**University of Houston**

**Management Control Audit at the University of Houston**  
 SAO Report No. 98-006, December 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Tuition deposits have not been made to the state treasury within the time period required by state statutes.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
University officials should closely monitor the effectiveness of newly installed procedures that were developed to ensure timely deposits of tuition to the State Treasury.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Verified by Internal Audit June 1998.</p> <p>The University continues to monitor deposits of tuition and fees to ensure that deposits are made on a timely basis. The deposit procedures implemented during August 1996 continue to work effectively.</p> <p>Contact: Vice President Jim McShane</p>
<i>Management's Response from Original Report:</i>	
The University corrected this issue in August 1996 by implementing procedures to ensure fall deferred tuition is deposited within the time period required.	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Uniform statewide accounting system reconciliation has not been completed on a timely basis.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
University personnel should reconcile the University's internal accounting records to the applicable USAS accounts on a monthly basis if possible; otherwise, it should be completed by the annual financial report deadline.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 10/31/98</p> <p>The University is on target to have a timely, complete reconciliation of the Uniform Statewide Accounting System to the related University Accounting Records for the FY 1998 year-end.</p> <p>Contact: Vice President Jim McShane</p>
<i>Management's Response from Original Report:</i>	
During FY 1996 and FY 1997, the campus was working to develop a comprehensive plan to modify accounting practices and automate manual process in order to complete the reconciliation to USAS at the transaction level by FY 1998 year-end. Currently, each transmission of University accounting transactions is reconciled to the detail transactions recorded in USAS to help ensure that the reconciliation remains current and to identify needed improvements in the process.	

Agency No. 730  
**University of Houston**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The student accounting system does not have the internal capabilities to perform some critical and fundamental accounting and reporting functions.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>University officials should consider the replacing or upgrading the student accounting system a top priority.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Verified by Internal Audit June 1998.</p> <p>We have considered the replacement of the student accounting system a top priority and have initiated the first phase of this endeavor, the Student Information System Business Process Analysis Project.</p>
<p>Until the system is upgraded or replaced, University officials should develop procedures to compensate for the shortcomings of the current system</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Verified by Internal Audit June 1998</p> <p>We have developed and implemented processes to compensate for the short-comings of the existing student accounting system. These procedures make it possible to perform the necessary accounting, reporting and reconciling activities in a more timely manner.</p> <p>Contact: Vice President Jim McShane</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>We plan to replace the student accounting system within the next three years.</i></p> <p><i>We are now undertaking a process re-engineering project which should result in changes to the way we currently conduct business in the areas of student accounting and other related record keeping requirements. We have already made changes to some of our applications and procedures, as recommended by Arthur Andersen &amp; Co. in their report on the Student Accounting System, dated August 31, 1995. These changes and additional changes to be made during FY 1998 have helped and will continue to help compensate for the shortcomings in the Student Accounting System.</i></p>	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Various policies in the areas of parking, information technology, funding issues, facilities management, and budgets are not current.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>University officials should restructure the process used to develop and revise policies and procedures to ensure timely implementation of new and revised policies and procedures.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>The process for policy revision and development has been restructured. An office has been created to coordinate policy development and revision. Estimated completion dates will be established for all policies that are in the process of development or revision.</p> <p>Contact: Vice President Jim McShane</p>

Agency No. 730  
**University of Houston**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Various policies in the areas of parking, information technology, funding issues, facilities management, and budgets are not current.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i></p> <p>We plan to revise our process for developing and revising university policies and procedures. We expect to establish estimated policy completion/revision dates for all policies in the process of development or revision by August 31, 1998.</p>	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The Affirmative Action Plan required to be maintained for the Office of Federal Contract Compliance Programs has not been updated since 1984.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>University officials should develop procedures to ensure timely updates to their Federal Affirmative Action Plan.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>The plan is now in the process of being reviewed by the Human Resources Department, the General Counsel's Office and the incoming Executive Director of the Office of Affirmative Action/EEO. The Plan will soon be in place and it will thereafter be reviewed annually and updated as needed.</p> <p>Contact: Dennis Duffy</p>
<p><i>Management's Response from Original Report:</i></p> <p>The database from which the update is drawn was completed and the plan will be in place at the end of October 1997.</p>	

Agency No. 734  
**Lamar University at Beaumont**

**Management Control Audit-Lamar University-Beaumont**

SAO Report No. 98-029, February 1998

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The University has demonstrated ineffective management of cash.	
Recommendation	Status Reported by Agency
Coordinate drawdowns of federal funds with related expenditures to minimize the need to support federal programs with University monies	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 6/15/98  Management will request that Internal Audit add this area to its FY99 audit plan for follow-up. Procedures for billing DOE have been drafted and are under review and will be completed by 6/15/98.
Internal audit should perform follow-up work to ensure that applicable departments are coordinating their efforts to minimize the use of University funds to support federal expenditures	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 6/15/98  See statement above.
Improve the timeliness of financial aid processing to eliminate the need for wholesale issuance of emergency loans	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  As of 3/26/98, all awarding and disbursing of aid is current and preparations were on time to begin awarding aid by 5/8/98 for next award year. Written procedures have been prepared and are under review and will be completed by 6/15/98.
<i>Management's Response from Original Report:</i>	
<p>A consultant was hired to review and reset all initial parameters in the automated software, and the system became fully functional in October 1997. Per management, short term or "emergency" loans decreased from \$652,000 and 1,506 loans in the fall of 1997 to approximately \$347,000 and 824 loans for the spring of 1998.</p>	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Various reconciliations were not timely or completed, nor did they contain evidence of supervisory review.	
Recommendation	Status Reported by Agency
All reconciliations (including bank reconciliations, payroll withholding accounts, and tuition deposits submitted to the State Treasury) should be completed on a monthly basis.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 6/15/98  Bank reconciliations are current through April 1998. A draft of written procedures for reconciling bank accounts has been prepared.

Agency No. 734  
Lamar University at Beaumont

<b>Finding 2:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Various reconciliations were not timely or completed, nor did they contain evidence of supervisory review.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
<i>Management's Response from Original Report:</i>			
Per management, reconciliations have been prepared on a timely basis since the late spring of 1997; however, we noted that this response did not address tuition deposit reconciliations or payroll withholding account reconciliations.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
All reconciliations should be completed to the extent that there are no unreconciled differences.		Status as of 6/30/98: <b>IMPLEMENTED</b>	
<i>Management's Response from Original Report:</i>			
Per management, unreconciled balances have been eliminated in all FY 98 reconciliations.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
All reconciling items should be researched and corrected on a timely basis.		Status as of 6/30/98: <b>IMPLEMENTED</b>	
<i>Management's Response from Original Report:</i>			
Per management, reconciling items are current and are now being cleared on a timely basis.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
All reconciliations should be signed and dated by the person completing the reconciliation, and they should be signed and dated by supervisory personnel after their review.		Status as of 6/30/98: <b>IMPLEMENTED</b>	
<i>Management's Response from Original Report:</i>			
Per management, reconciliations are now signed and dated by preparers and reviewers.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
Detailed, written procedures should be developed and communicated to the employees responsible for reconciliations.		Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Detailed written procedures have been developed and are under review.	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Various reconciliations were not timely or completed, nor did they contain evidence of supervisory review.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<i>Management's Response from Original Report:</i>		
Detailed written procedures are currently under development and will be completed by the end of March 1998.		
Backup personnel should be cross-trained to perform reconciliations in the event that persons primarily responsible are not able to do so on a timely basis.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date:
	Management agrees, and has cross-trained employees and will continue to cross-train employees. The Finance Office will be adding a Director of Accounting to its staff. This person will function as backup to perform bank reconciliations when needed and should be in place by 6/15/98. The Asst. V.P. for Finance will oversee this individual's work.	
<i>Management's Response from Original Report:</i>		
Management will develop a cross training program and the Finance Office will also be adding a Director of Accounting to its staff, who will function as backup to all accounting positions when needed.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Internal Audit should perform follow-up work to assure that reconciliations are timely, complete, and contain documentation of supervisory review, to assure that the issue with frozen overpayments to ERS is resolved, and to verify that fiscal year 1998 tuition deposits to the State Treasury have been reconciled.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: xx/xx/xx
	Management will request that Internal Audit add this area to its FY99 audit plan.	
<i>Management's Response from Original Report:</i>		
Management will request that Internal Audit add the identified areas to its FY 99 audit plan.		

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The University's receivables are not managed effectively.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop accurate and timely aging reports for all University receivables and use them to manage receivables more effectively.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: Aging reports will be developed for all university receivables.
Consider writing off any receivables that appear to be uncollectible or that are over one year old. Write off all receivables which are no longer being reported	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: All receivables over one year old and other receivables that are determined uncollectible will be deleted from the subsidiary and general ledger accounts.
<i>Management's Response from Original Report:</i>	
Management will develop appropriate reporting procedures to monitor the aging of non-student receivables.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Reconcile all receivable accounts to the University's official accounting records on a monthly basis. Reconciliations should be adequately documented with preparer's and supervisor's signature and date. Copies of all reconciliations should be filed and available for review.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98 Management concurs and will comply. Reconciliation of all receivable accounts will be done on a monthly basis. Reconciliations will be adequately documented, signed, and dated by the preparer and the person reviewing the reconciliation. All accounts will be reconciled by August 31, 1998.
<i>Management's Response from Original Report:</i>	
Management will implement procedures regarding reconciliations in 1998.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
All credit balances should be researched and corrected as soon as possible. All differences on the reconciliations should be researched, and corrections should be made to applicable records on a timely basis.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98 Management concurs and will research and take corrective action regarding these credit balance by August 31, 1998.

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The University's receivables are not managed effectively.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<i>Management will research and take corrective action regarding credit balances by August 1998. Reconciliation differences will be researched as they occur, and corrections will be made on a timely basis.</i>	
Ensure that all billings to the Foundation and other outside parties are submitted on a timely basis.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management concurs. Billings to the foundation for the fall semester will be made by Nov. 1, in the future, and billings to the Foundation for the spring semester will be accomplished by March 1. Other parties will be billed timely according to established agreements.
<i>Management's Response from Original Report:</i>	
<i>Billings to the Foundation for the fall semester will be made by November 1 in the future, and billings for the spring semester will be accomplished by March 1. Other outside parties will be billed according to established agreements.</i>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
All allowances for doubtful accounts should be adjusted annually to reflect the true collectibility of applicable receivables.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management concurs. The allowance will be reviewed and adjusted annually as part of annual financial report preparation process.
<i>Management's Response from Original Report:</i>	
<i>Allowances will be reviewed annually as part of the annual financial report preparation process.</i>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Detailed, written procedures should be developed and communicated to employees responsible for reconciliations.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 6/15/98  Written procedures have been developed and under review and will be completed by 6/15/98.
<i>Management's Response from Original Report:</i>	
<i>Written procedures will be developed as soon as system changes are implemented.</i>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Management failed to monitor and enforce compliance with TSUS rules and regulations regarding the handling of gift checks made payable to the University.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Implement procedures to ensure that gifts to the University are handled in accordance with applicable TSUS rules and regulations and the written instructions of donors.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  The University currently has procedures in place to ensure compliance. Management will work with the Foundation to ensure all funds are properly handled in accordance with donor's wishes.
<i>Management's Response from Original Report:</i>	
Management is currently returning any check which has not been made payable to the appropriate party to the donor and requesting a corrected check.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Internal Audit should monitor the University's handling of gifts to ensure compliance.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management will request that Internal Audit include this area in its FY99 audit plan.
<i>Management's Response from Original Report:</i>	
Management will request that Internal Audit include this audit area in its FY 99 audit plan.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Management should confer with the TSUS Office and its Board of Regents to develop an appropriate remedy for situations noted in our finding.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management is currently returning any check which has not been made payable to the appropriate party (Lamar University or the Foundation) to the donor, and is requesting a corrected check. The Foundation has returned the funds in question to Lamar University.
<i>Management's Response from Original Report:</i>	
The Foundation will return the funds in question to the University.	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Certain payments lack oversight.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure that all payments processed by the University are for official University business and that payments comply with the intent for which the related accounts have been established.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
<i>Management disagrees with our assessment of the transactions in question; however, management states that in the future, participants in the Superintendents' Academy will be personally responsible for costs associated with non-essential activities incidental to workshops such as attending plays, trips to the Empire State Building, tour guides, etc.</i>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Management has failed to establish written policies or to enforce existing policies designed to accurately account for and document department inventories, and to safeguard University property from loss, theft, and abuse.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Review and evaluate current policies, procedures, and monitoring mechanisms. Make additions and revisions where necessary to ensure compliance with State Property Accounting System policies and procedures and TSUS rules and regulations regarding the safeguarding and accounting for property.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>A property management section has been added to the new Finance Policies &amp; Procedures Manual, which will be issued by 8/31/98. During December 1997 and January 1998, all property custodians attended training on state property reporting requirements. Management will require departments to submit reports on a timely basis.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>A property management section has been added to the new Finance Policies and Procedures Manual, which will be issued in FY 98. All property custodians were required to attend training on state property reporting requirements. Management will focus more attention to having supervisors submit reports on a timely basis in the future.</i></p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Inventory property and equipment regularly.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>The University will conduct annual inventories. General ledger accounts and the State Property Accounting System will be updated and adjusted to actual cost. The balance sheet in the AFR will reflect actual cost. All property custodians have now been briefed on the importance of completing the annual inventory on a timely basis and in a thorough manner. Management will require that all inventories be submitted on a timely basis. The Property Manager will report to management all departments not complying. Management will work with departments to assure inventories are completed. The assistant Vice President for Finance will oversee the annual reconciliation of the property records to the general ledger and the State Property Accounting system. Assignment has been made to the Finance Office personnel for the reconciliation.</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>All property custodians have been briefed on the importance of completing the annual inventory on a timely basis and in a thorough manner. Management will require that inventories be submitted on a timely basis. The Property Manager will report to management all departments not complying. The Assistant Vice President for Finance will oversee the annual reconciliation of the property records to the general ledger and the State Property Accounting System.</i></p>	

Agency No. 734  
**Lamar University at Beaumont**

**Finding 6:** **Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED**

Management has failed to establish written policies or to enforce existing policies designed to accurately account for and document department inventories, and to safeguard University property from loss, theft, and abuse.

Recommendation	Status Reported by Agency
Reconcile property and equipment, property records, general ledger accounts, and State Property Accounting System information regularly. Prepare timely and well-documented adjustments based on the results of inventories and reconciliations.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  See above response for "Inventory property and equipment regularly" recommendation.
Maintain property records with sufficient care so as to allow property items to be readily located.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  See above response for "Inventory property and equipment regularly" recommendation.
Property items should only be loaned to employees or students for the conduct of legitimate University business, and only with appropriate authorization and adequate documentation.	Status as of 6/30/98: <b>IMPLEMENTED</b>

*Management's Response from Original Report:*

*Forms and procedures for the loan of university equipment are included in the property manual referenced above. Property custodians have been briefed on the importance of observing these procedures.*

Recommendation	Status Reported by Agency
Surplus property deletions should be adequately documented and traceable to the ultimate disposition of these items.	Status as of 6/30/98: <b>IMPLEMENTED</b>
Report lost or stolen property to the appropriate authorities immediately upon discovery.	Status as of 6/30/98: <b>IMPLEMENTED</b>

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Management has failed to establish written policies or to enforce existing policies designed to accurately account for and document department inventories, and to safeguard University property from loss, theft, and abuse.	
Recommendation	Status Reported by Agency
Internal Audit should continue to monitor issues identified in this report and their prior report until such time as all issues are satisfactorily addressed.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management will request that Internal Audit include this area for follow-up in its FY99 audit plan.
<u>Management's Response from Original Report:</u>  <i>Forms and procedures for surplus property deletions and lost or stolen property are included in the property manual referenced above. Property custodians have been briefed on the importance of observing these procedures.</i>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Problems continue to persist relating to the accuracy of information used to support decision-making	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Establish adequate guidelines for project management of all new system implementations and/or upgrade. The guidelines should include requirements for:</p> <ul style="list-style-type: none"> <li>• <i>Adequate testing and/or parallel processing of new and old systems to ensure the systems are working as intended and to ensure the accuracy of data.</i></li> <li>• <i>Complete, accurate, timely, and documented reconciliations of data from old to new systems to ensure the accuracy of data being transferred.</i></li> <li>• <i>Detailed and measurable parameters for project management of new systems and/or upgrades in order to accurately track the progress of implementation or upgrades and for accountability purposes.</i></li> </ul>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p><u>Management's Response from Original Report:</u></p> <p><i>Management's response appears to minimize the problems associated with the accounting feed associated with the HRS to FRS feed. Management states that "all data was eventually entered accurately" relative to the conversion to the new accounting system.</i></p>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 7:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Problems continue to persist relating to the accuracy of information used to support decision-making	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop detailed action plans to correct problems identified with FRS and SIS.	Status as of 6/30/98: <b>IMPLEMENTED</b>
Develop detailed policies and procedures for management and operation of information systems.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
<i>Management appears to believe that the University has adequate policies and procedures.</i>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Strengthen controls over access to information systems: <ul style="list-style-type: none"> <li>• <i>Limit the number of persons having data entry capabilities to only those needing such capabilities as an integral part of their job responsibilities.</i></li> <li>• <i>Ensure terminated employees are denied access to information systems.</i></li> </ul>	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
<i>Management will review the access of each individual who has access to FRS and limit the capabilities to only those required by the individual's job. Management has established a check out system whereby the System Administrator is notified when an employee is terminated. Additionally, a report can be produced that provides a list of people without current contracts that Human Resources can check to help determine when an employee should be taken off the system.</i>	
<i>Management will request that Internal Audit include this area in its FY 99 audit plan.</i>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Inadequate management of the financial aid processing function, along with violations of federal requirements.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Identify the essential knowledge, skills, and abilities necessary for Financial Aid Office staff members to perform their job responsibilities successfully. Consider these factors when advertising, screening, and hiring new employees, and when identifying training needs. Ensure that all Financial Aid Office staff members receive adequate training to allow them to perform their job responsibilities effectively.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management concurs. Job standards and skills will be developed for each position in the Student Financial Aid Office and when new employees are hired, a determination will be made that the new employee has the knowledge, skills, and abilities to perform the job responsibilities successfully. Management will see that employees receive adequate training to perform their job responsibilities on a continuing basis. Management will continue to send these employees to DOE work-shops as they become available. A written plan for employee training is under development and should be completed by 6/15/98.
<i>Management's Response from Original Report:</i>	
New employees in the Financial Aid Office have received 16 hours of intensive training from a consulting firm specializing in the operation of the SIS system. In addition, all employees in the Financial Aid Office have had 6 hours of customer service training from a local consulting firm. Management will continue to send these employees to Department of Education workshops as they become available.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop written policies and procedures to guide Financial Aid Office staff in the performance of all critical job responsibilities.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/98  Written procedures have been drafted and are currently being reviewed. To be completed by August 1998.
<i>Management's Response from Original Report:</i>	
Written desk procedures will be completed by the end of 1998.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop performance standards and goals against which to monitor the operations of the Financial Aid Office and the performance of its staff.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management will develop performance standards for the staff for the office. Standards and goals for processing aid are prepared and under review. In addition to the Financial Aid Office being evaluated as a group/team, each employee will be also be evaluated on his/her individual performance.

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Inadequate management of the financial aid processing function, along with violations of federal requirements.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p><i>Management has prepared two plans to address the problems in the Financial Aid Office. Per management, the objectives outline in the first, short-term plan are substantially complete. A second, long range plan was presented to the Board in December 1997. The ultimate goal of this plan is for the Financial Aid Office to be able to initiate the processing of financial aid for the 1998-1999 academic year so that awards are processed within 30 days of the receipt of complete documentation. If successful, this will allow all students who have submitted timely aid requests to receive all appropriate aid ten days prior to the first class day in August 1998.</i></p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Identify the information that is critical to monitor the performance of the Financial Aid Office against performance goals; to hold staff members accountable for their performance; and to ensure compliance with applicable statutes, rules, regulations, and other applicable restrictions.</p> <p>Develop systems to capture and report this information in a timely manner and at an appropriate level of detail.</p> <p>Develop and make regular use of management reports to ensure that aid is processed and awarded in a timely manner and in compliance with applicable restrictions.</p> <p>Manage workflow in the Financial Aid Office to allow new financial aid cycle processing to begin as student documents are received.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>Management concurs. Reports are being developed to help management comply with this recommendation.</p>
<i>Management's Response from Original Report:</i>	
<p><i>A management report has been developed to assess the aid packaging status of all students who have applied for financial aid. The report is run daily, and is used to identify and to act on problems before they can accumulate. The Financial Aid Office is held accountable as a team for preventing problems with aid processing.</i></p>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Inadequate management of the financial aid processing function, along with violations of federal requirements.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Establish controls over documents in the Financial Aid Office sufficient to minimize the loss and misfiling of papers and resulting delays in processing students' aid packages.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 06/15/98  Management concurs. An Administrative Technician was assigned the responsibility of document control last August. All documents are logged into the computer upon receipt, and this individual is responsible for ensuring that they are filed in the appropriate student file. Procedures are in place to ensure proper documentation has been received before aid is awarded. Written job descriptions have been developed and are being reviewed by Reed Evans and are scheduled to be completed by 6/15/98.
<i>Management's Response from Original Report:</i>	
Internal Audit has Financial Aid on its schedule for FY 98, and the results of that audit will be used to identify specific training deficiencies that need to be addressed to ensure compliance with federal regulations. Management will request that Internal Audit verify the segregation of Perkins Loan accounts.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure that financial aid is not awarded and disbursed in the absence of adequate, complete, legible documentation of students' eligibility and need. Aid should not be disbursed in the absence of signed documentation indicating formal acceptance of the aid awarded. Student loans should not be offered in the absence of completed loan applications. Management should exercise greater diligence in investigating and resolving conflicting information submitted by students.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
Internal Audit has Financial Aid on its schedule for FY 98, and the results of that audit will be used to identify specific training deficiencies that need to be addressed to ensure compliance with federal regulations. Management will request that Internal Audit verify the segregation of Perkins Loan accounts.	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 8:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Inadequate management of the financial aid processing function, along with violations of federal requirements.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Comply with federal regulations prohibiting the withholding of Pell Grant proceeds for the payment of outstanding university obligations.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
Management will comply with recommendations regarding adequate documentary support for awards and verification of information submitted by students.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Submit all required reports to the Department of Education on a timely basis. Information included in these reports should tie or reconcile to the University's official records. Management should maintain its federal student financial aid accounts in compliance with applicable federal regulations. Management should adjust its accounting records to reverse the effects of having consolidated its Perkins Loan accounts and submit amended federal reports for the affected periods.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
Management will request a programming modification to prevent the application of Pell Grant proceeds to prior semester charges	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Internal Audit should perform adequate testing to assure that the Perkins Loan accounts have been accurately segregated per federal regulations.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Internal Audit has already scheduled an audit of the Financial Aid Office in its fiscal year 98 program. Management will request that they verify the segregation of the Perkins Loan accounts.

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 9:</b>  Continued, significant losses in auxiliary operations.	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop detailed action plans to correct the downward fund balance trends and deficit fund balances in Housing, Energy Conservation, Food Services, Subordinate Lien, and the Montagne Center.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management concurs. The elimination of the housing deficit fund will be an exceedingly slow process, and will probably not be complete until the bonded debt is eliminated. Management has a draft of a plan to increase the number of students in the University housing. The Montagne Center is another area that will not be susceptible to an easy solution. However, management will reassess the situation and review the available alternatives. Plans to address these issues for both University housing and the Montagne Center will be developed and submitted to TSUS by August 1999.
<i>Management's Response from Original Report:</i>  <i>The elimination of the fund balance deficit in Pledged Enterprises will be an exceedingly slow process and will probably not be complete until 2010. Management has a draft of a plan to eliminate this deficit, and anticipates having a document for release by the end of FY 98.</i>  <i>By the end of FY 98, management will reassess the Montagne Center situation and review the available alternatives.</i>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 10:</b>  Service departments are losing money.	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop detailed action plans to correct the downward fund balance trends, reduce the deficits in fund balances, and allow for "break-even" or profits in the service department operations currently losing money.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 08/31/98  Management concurs and will conduct a thorough review of all service departments. A plan for operating each service department on a break-even basis will be developed for the start of the Fiscal Year 99.
<u>Management's Response from Original Report:</u>  <i>Management has decided to underwrite the Print Shop to provide convenience to the campus community. Management will conduct a thorough review of the other service departments and will provide a plan by the start of the FY 99 budget year.</i>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improvements are needed in the management of the University's human resources in many areas.	
Recommendation	Status Reported by Agency
<p>Ensure that all hiring decisions are based on a thorough position analysis and that screening and subsequent hiring decisions give sufficient consideration to whether prospective employees' knowledge, skills, and abilities sufficiently match a position's requirements.</p> <p>In areas where management anticipates a need to hire inexperienced staff due to the available market of prospective employees, there should be sufficient advance planning to ensure that new hires receive adequate training and supervision relative to their responsibilities. Preparation of critical reports and other crucial functions should only be performed by personnel having experience appropriate to the task.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>Management will make every effort in the future to comply with the recommendations relating to position analyses, planning for training, supervision, and ensuring that critical functions are performed by persons with appropriate experience.</p>
<p><u>Management's Response from Original Report:</u></p> <p>Management agrees that this is the preferable course of action and will make every effort to comply these recommendations in the future.</p>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improvements are needed in the management of the University's human resources in many areas.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Integrate planning for future staffing needs into other long term planning for the University. To the extent possible, identify anticipated future staffing levels well in advance, along with the knowledge, skills, and abilities that will be needed in the future for employees to successfully perform their job responsibilities.</p> <p>Incorporate this information into management's plans and curriculum for training of new hires and the long-term development of current employees.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 12/31/98</p>
<i>Management's Response from Original Report:</i>	
Management will incorporate a plan for future staffing needs into its long-term plan by December 31, 1998.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Implement procedures to ensure that materials relating to the hiring of employees are forwarded to the Human Resources Office in a timely manner, and that adequate safeguards exist over employee information. Applications, resumes, transcripts, documentation of background checks, and other similar information supporting the hiring of individuals should be maintained in those employees' personnel files in the Human Resources office. Personnel files should not be purged of such materials as long as employees maintain their active status.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Improvements are needed in the management of the University's human resources in many areas.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<i>Management's Response from Original Report:</i>		
<i>Management is in the process of assembling the missing documentation from the senior staff files examined in this audit. In the future the Director of Human Resources will not approve hires until required documentation has been forwarded to the Human Resources Office by the search committee.</i>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Implement procedures to ensure compliance with all applicable state, TSUS, and University human resources policies, including those relating to the administration of faculty teaching loads, external activities, and the timely submission of staff performance appraisals. Information from employee performance appraisals should be considered in development of future training plans and curriculum.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 6/15/98
<i>Management's Response from Original Report:</i>		
<i>Management agrees. With regard to overload activities, these must be disclosed on the form used to pay the individual. In addition, all Deans have been advised that overloads in excess of 125 percent requires the approval of the Executive Vice President For Academic affairs. The faculty are required to submit a formal request for approval of all applicable external employment.</i>		
<i>With regard to timely evaluations, employees have now been through an annual evaluation under our new procedure. The second cycle of evaluations is currently underway. Management initially established the evaluation plan so that employees would be evaluated on the anniversary of the month of their employment. However, this has made it difficult to monitor compliance with the timely submission of evaluations. Management intends to convert in Fiscal Year 99 to doing all evaluations in a single month. Management will require supervisors to submit evaluations on a timely basis in the future. With regard to knowledge of State, TSUS, and University policies, the University has a draft Human Resources policies and procedures manual which has passed legal review and is currently under review and will be completed by 06/15/98. An updated staff handbook will follow.</i>		

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 11:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Improvements are needed in the management of the University's human resources in many areas.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Develop operational standards and performance measures for all critical areas of University operations. Identify those elements of information essential to the successful management of these critical areas and ensure that the University's information systems adequately capture that information and provide it to responsible employees in a timely manner and in an appropriate format.</p> <p>Ensure that supervisory personnel have timely access to any information necessary to hold staff members accountable for their performance.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b></p>	<p>Target Date:</p>
<i>Management's Response from Original Report:</i>		
<p><i>Management concurs. This is a complex long range project. Management will study the issue to see how operational and performance standards may best be incorporated into our strategic plan and our current evaluation system.</i></p>		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
<p>Review University human resources policies regularly in order to identify areas requiring additional attention, clarification, or revision, and to ensure that the University's policies and practices comply with applicable law, TSUS rules and regulations, and other external restrictions.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b></p>	<p>Target Date: FY 1999</p>
<i>Management's Response from Original Report:</i>		
<p><i>Management agrees. The new Human Resources Policies and Procedures Manual has been reviewed by legal counsel at the System's office, and was issued on 5/29/98. An updated Staff Handbook will follow. In addition management will request that this area be included in Internal Audit's plan for FY99.</i></p>		

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 12:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Inconsistent or incorrect data does not allow for accurate decision-making by executive management.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop adequate reconciliation and review procedures to ensure that consistent and accurate information is presented in the University's accounting records and financial reports.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 6/30/98</p> <p>Partially implemented: Management concurs and current plans are to have all reconciliations complete and provide accurate figures in the accounting records and the financial reports. Procedures for review of the AFR of the institution will be completed by 6/30/98.</p>
<i>Management's Response from Original Report:</i>	
<p><i>Management has agreed to identify written off receivables, so that they can be eliminated from current management reports. Per management, bank reconciliations are now current, with no "unreconciled differences." Per management, the errors that occurred in USAS regarding tuition were in FY 96, and FY 97 is correctly stated. Lapsed appropriations have been written off. Management is in the process of creating a checklist for the FY 98 annual report to ensure that the other problems identified in our report do not reoccur.</i></p>	

<b>Finding 13:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
We noted transactions and conditions involving the University and the Foundation which suggest lack of oversight by both the TSUS Board of Regents and the Lamar University Foundation Board of Directors.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Both the TSUS Board of Regents and the Lamar University Foundation Board of Directors should review and evaluate their current oversight activities as they relate to the relationship between the University and the Foundation. The TSUS Board of Regents should ensure that University management adequately fulfills its fiduciary responsibilities with respect to the handling of gifts and other transactions, and that management complies with applicable TSUS rules and regulations.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 13:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
We noted transactions and conditions involving the University and the Foundation which suggest lack of oversight by both the TSUS Board of Regents and the Lamar University Foundation Board of Directors.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The Foundation Board should take care to ensure that the Foundation is adequately protected from liability in transactions involving the Foundation and the University.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Management will work with the foundation to ensure that adequate protection from liability exists in the transactions involving the two entities. Management will seek legal counsel for transactions with the Foundation where necessary.
<i>Management's Response from Original Report:</i>	
Management states that they cannot respond to the first two recommendations, as they are directed at the Foundation, its Board, and the TSUS Board of Regents.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We encourage both TSUS and the Lamar University Foundation to review their relationship in order to ensure the elimination of a less than arm's length relationship either in appearance or in fact.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
Management does not believe that any circumstances currently exist which would result in less than an arm's length relationship with the Foundation.	

Agency No. 734  
**Lamar University at Beaumont**

**Finding 13:**

**Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED**

We noted transactions and conditions involving the University and the Foundation which suggest lack of oversight by both the TSUS Board of Regents and the Lamar University Foundation Board of Directors.

Recommendation	Status Reported by Agency
<p>We encourage TSUS, Lamar University management, and the Lamar University Foundation to ensure the negotiation of a new operating agreement which (1) accurately reflects the working relationship between the University and the Foundation, (2) specifies the types of assistance each will provide the other and the terms and conditions under which such assistance will be provided, (3) provides for adequate oversight by each governing board, and (4) clearly defines the rights and obligations of each party.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b>                      Target Date:</p> <p>Management concurs and will present the recommendations to the TSUS administration and Board of Regents. Management will assist in the negotiations of a revised operating agreement that addresses the specific items included in the recommendations.</p>

Management's Response from Original Report:

*An updated agreement will be negotiated in calendar year 1998.*

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 14:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>As a result of inconsistent reporting of "mini-session" courses, the University received funding for these courses from appropriated dollars during non-count years while collecting the full cost of the courses from tuition and fees charged through continuing education.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Internal Audit should perform adequate follow-up work in this area to ensure that this issue has been resolved.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>Management will request that Internal Audit include this area in its audit plan for FY99.</p>
<p><i>Management's Response from Original Report:</i></p> <p>Management will request that Internal Audit include this area in its audit plan for FY 99.</p>	

<b>Finding 15:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The University voluntarily identified and disclosed corrections (instances of noncompliance and unreported items) to the certified semester credit hour data reported to the Coordinating Board.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>The University should report only those students who have paid or made arrangements to pay tuition as of the official reporting date.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>Management agrees and will comply. The SCT/SIS Texas Connections software provides an option to report based on data fields which indicate the payments status of the student. This option will be used in the future. Procedures will be written to ensure that manual adjustments during reporting are made to this data field by cashiering when exceptions are encountered. The office of Institutional Research and Reporting is currently working closely with the TASP Office. A request will be made to add additional edits to warn of data entry errors on TASP exemptions and to remove the ability of Admissions status for summer temporaries. This will allow the automated notification to the student of documentation necessary and that it must be sent to the TASP Office. The TASP Office will secure the proper documentation and monitor compliance of all TASP issues.</p>
<p>The University should report only those students meeting TASP requirements.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date:</p> <p>See above statement.</p>
<p><i>Management's Response from Original Report:</i></p> <p>Management agrees and will comply.</p>	

Agency No. 734  
**Lamar University at Beaumont**

<b>Finding 16:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>The University's procedures for the payment of tuition and fees on installment do not require students to sign a form acknowledging that non-payment can lead to sanctions.</p>	
Recommendation	Status Reported by Agency
<p>Adopt procedures to ensure that students enrolling under the installment payment option have signed an acknowledgment that non-payment can lead to sanctions.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 8/31/98</p> <p>Management will take the appropriate action to comply with current statute. Written procedures for the implementation of this recommendation (to obtain signed installment agreements) are to be delivered to the Assistance Vice President of Finance by 6/20/98. Management will approve procedures and see that they are in place by 8/31/98</p>
<p><i>Management's Response from Original Report:</i></p> <p>Management would suggest that it might be more efficient to request that the Legislature pursue a change in the law to make these sanctions legal for all students enrolled in an installment plan, rather than requiring the administrative burden necessary for hundreds of thousands of students across the state to complete a new form each necessary. Management will pursue this issue through TASSCUBO in hopes that an acceptable solution can be reached.</p>	

<b>Finding 17:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>A data error in electronic class records caused six Spring semester courses that were eligible for formula funding not to be reported to the Coordinating Board.</p>	
Recommendation	Status Reported by Agency
<p>Establish edit checks to produce exception reports when official census count program files are run, and require that all errors be cleared before reporting data to the Coordinating Board.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>
<p><i>Management's Response from Original Report:</i></p> <p>The University currently has an edit check system. This new error type has been added to this edit check system, so that it will not go undetected in the future.</p>	

Agency No. 743  
**The University of Texas at San Antonio**

**An Audit Report on Management Controls at The University of Texas at San Antonio**

SAO Report No. 98-030, February 1998

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Controls are inadequate to ensure that incidental fees are only collected and distributed for restricted uses.			
Recommendation	Status Reported by Agency		
Clarify appropriate expenditures to various departments.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/31/98	
	Prior to meeting with the student advisory committee in December 1998 to review all incidental fees, a budget justification and review of expenditures will be required by each department charging an incidental fee.		
Review expenditures at the department level.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/31/98	
	In March 1998, general Internal Control Training was provided which explained the importance to departments of making sure these funds were spent appropriately.		
Certify these expenditures as part of the voucher approval process.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>	Target Date: 12/31/98	
	Internal Audit will continue to include a review of incidental fees in their annual audit plan.		
	Contact: Associate Vice President for Financial Affairs		
<u>Management's Response from Original Report:</u>			
<ul style="list-style-type: none"> <li>• Asked UT System for approval to change the description of expenditure use of Library Book Fines to include payments for furniture and fixtures to be used within the library as we feel these appropriations are appropriate.</li> <li>• Will initiate formal budget reviews for incidental fees with the student advisory committee and all departments which have been authorized incidental fees.</li> <li>• Internal audit will conduct annual audits on these fee accounts as requested by UT System Administration.</li> <li>• Orientation meeting will be held with departments authorized to collect incidental fees to explain the importance of expenditure guidelines approved by System Administration.</li> <li>• Individuals approving disbursement vouchers and purchase requests within a department are certifying the appropriateness of the transaction.</li> </ul>			

Agency No. 743  
**The University of Texas at San Antonio**

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Management controls over inventory valued at \$55.7 million are ineffective, and inventory information often cannot be relied upon.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Enforce current policies and procedures regarding inventory control, including the timely submission of paperwork for missing or stolen property, and the periodic review of property records to verify that they are current.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Implemented, additional staff have been hired to oversee the handling of capital inventory and to perform spot checks of capital inventory.
Make department heads responsible for the accuracy of inventory records.	Status as of 6/30/98: <b>IMPLEMENTED</b>
Property removed from campus is only checked out for one year. Every year, an updated form should be submitted to the department and to the Inventory Division.	Status as of 6/30/98: <b>IMPLEMENTED</b>
Ensure that there is a sufficient number of staff members to meet all reporting requirements and to safeguard assets.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Contact: Associate Vice President for Financial Affairs
<i>Management's Response from Original Report:</i>	
<i>Missing or stolen property reports will be completed and submitted promptly.</i>	
<i>Deletion requests will be processed timely on the State Property Accounting System.</i>	
<i>Annual inventory analysis will be performed and will include requests to all departments to review inventory listings for items that should be transferred to surplus.</i>	
<i>There will be monthly inventories of randomly selected departments, and verification of those departments' inventory records.</i>	
<i>Inventory forms for property removed from campus will be updated as a part of annual departmental inventories.</i>	

Agency No. 743  
**The University of Texas at San Antonio**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Written policies and procedures are not finalized.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Produce a formalized policies and procedures manual addressing internal and external management processes, the segregation of duty assignments, and other pertinent operational guidelines.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: February 1999  In progress, the area has recently been reorganized and a procedures manual may now be completed.  Contact: Associate Vice President for Financial Affairs
<i>Management's Response from Original Report:</i>	
Staffing constraints will continue to impede the desired segregation of duties. A solution to the control issue will be to require that at anytime the Bursar is required to function as a cashier, the balance reports of the Bursar will be reviewed and signed off by the Business Manager.	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Computer systems, policies and procedures, and the accounting system in place do not promote the effective management of A/R.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Determine efficiencies gained if the accounting and student information systems are interactive.	Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 9/99  Due to the status of UTSA's current student records system, interaction between the accounting and student records systems is currently not possible. However, we expect a complete rewrite of the system by September, 1999.
Consider further use of automation to identify student receivables for all three summer sessions and to produce standardized A/R formats to analyze delinquent accounts.	Status as of 6/30/98: <b>FACTORS DELAY IMPLEMENTATION</b> Target Date: 9/99
Produce a formal policies and procedures manual that includes A/R administration.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: September 1999  Formal policies and procedures to include A/R administration are being drafted.  Contact: Associate Vice President for Financial Affairs

Agency No. 743  
**The University of Texas at San Antonio**

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Computer systems, policies and procedures, and the accounting system in place do not promote the effective management of A/R.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<ul style="list-style-type: none"> <li>• The current student records system does not allow for the separation of all three summer semesters or for the standardized formats for analyzing delinquent accounts.</li> <li>• Inefficiencies will be addressed with the Steering Committee for the Student Records System and prioritized.</li> </ul> <p><i>The Business Manager will assume the responsibility for completing the policies and procedures manual for the Fiscal Services Office.</i></p>	

<b>Finding 5:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Inadequate information systems have led to inefficient procedures and poor customer service	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Correct the automation problem responsible for 15% error rate in the awards processed.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: September 1999 The student records system is currently being rewritten. We expect to it be completed by September, 1999.
Use student survey card information to enhance customer service.	Status as of 6/30/98: <b>IMPLEMENTED</b> Contact: Director of Student Financial Aid
<i>Management's Response from Original Report:</i>	
<i>The Financial Aid Office has submitted an inter-office report to the Office of Information Technology outlining specific automation issues.</i>	

<b>Finding 6:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Human Resource Management lacks updated controls.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Revise and update the entire HR handbook.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: January 1999 Revision of the HR Handbook is in process.
Monitor evaluations to ensure that they are consistent and completed in a timely manner.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: December 1999 Systems for monitoring evaluations are being explored.

Agency No. 743  
**The University of Texas at San Antonio**

<b>Finding 6:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Human Resource Management lacks updated controls.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Monitor employee grievances to identify trends and issues that might affect the University.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: December 1999 For those that are known, grievances are being monitored. Policy will be created to formally bring HR into the grievance process; drafted policy will be internally reviewed and sent to legal council by December 1999.	
Keep track of job descriptions for all staff members, including non-classified positions.	Status as of 6/30/98: <b>IMPLEMENTED</b> HR is currently keeping track of all job descriptions. Contact: Executive Director of Human Resources	
<i>Management's Response from Original Report:</i>		
<ul style="list-style-type: none"> <li>• The University has developed an ADA policy which has been submitted to the UT System for final approval and implementation.</li> <li>• The current HR handbook will be revised.</li> <li>• A proposal for a centralized mechanism to monitor evaluations will be presented.</li> <li>• The UTSA Handbook of Operating Procedures will be amended for HR to monitor grievances using a database and other appropriate tools.</li> <li>• Job descriptions for all staff members, including non-classified positions will be housed in HR.</li> </ul>		

**The University of Texas Health Science Center at San Antonio**

**A Limited Review Management Controls At The University of Texas Health Science Center At San Antonio**

SAO Report No. 97-090, August 1997

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Health Science Center is not in technical compliance with an area health education center program requirement.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
Come into full compliance with requirements of Public Health Act & recommendations of internal auditor.		<p>Status as of 6/30/98: <b>IMPLEMENTED</b> as of 2/13/98</p> <p>Verified by Internal Audit</p> <p>The South Texas AHEC is in full compliance with requirements of the Public Health Service Act. Service/performance contracts have been established with each regional AHEC center. These regional centers operate with their own community-based business accounts. Under terms of the service/performance contracts, AHEC federal operating funds are transferred to the centers' business accounts which are then used to pay expenses related to the regional AHEC program. Approved regional awards for health professional training and education activities are also transferred to the centers' business accounts. These funds are then re-awarded to specific entities performing regional activities such as community-based institutions of higher education, not-for-profit entities, and/or UTHSCSA as appropriate.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED                      Target Date: 2/1/98</p> <p>Contractual agreements have been agreed to in principle and will be finalized and signed by February 1 between the University and the regional AHEC centers.</p> <p>Contact: Robert B. Price, Executive Vice President</p>	

**The University of Texas Health Science Center at San Antonio**

<b>Finding 1:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Health Science Center is not in technical compliance with an area health education center program requirement.			
<b>Recommendation</b>		<b>Status Reported by Agency</b>	
Continue to work with area health education centers to develop other revenue sources.		<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: Continuous</p> <p>The South Texas AHEC Program Office staff has continued to work with and to provide technical assistance to its regional AHEC centers in order to assist them in acquiring other revenue sources. Currently, the South Texas Program Office is working closely with both the Alamo and Winter Garden AHECs to acquire state appropriations for the continuation of federally funded AHEC projects in the region. The Alamo AHEC and the Coastal AHEC have submitted various applications for federal, state, and foundation funded activities in their region, some of which have already been successful. The Mid Rio Grande Border AHEC is pursuing local funds as well as state contracts for local services. The Lower Rio Grande Valley AHEC has successfully acquired state contracts through the Texas Department of Health and is seeking additional funds from other state and federal agencies. The South Texas AHEC Program Office will continue to provide technical assistance to these regional AHEC offices.</p> <p>This recommendation will never be reported as implemented. It is an ongoing effort in South Texas. Efforts are in place though.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b>      Target Date: Continuous</p> <p>Our AHEC program director and his staff continue to work with the regional AHEC centers on an on-going basis to identify other revenue sources for support of AHEC programs.</p> <p>Contact: Robert B. Price, Executive Vice President</p>	

**The University of Texas Health Science Center at San Antonio**

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
Health Science Center is not in technical compliance with an area health education center program requirement.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Relationships among HSC, centers, and South Texas residents should be nurtured and fostered.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: Continuous</p> <p>Not verified, deals with relationships.</p> <p>The Director of the South Texas AHEC Program sits on each of the five regional AHEC Boards of Directors and attends these meetings whenever possible. A strengthened relationship between UTHSCSA, the South Texas AHEC Program, and community-based institutions of higher education and/or health service entities continues to improve. The UTHSCSA President and members of the UTHSCSA Executive Committee continue to devote regular attention to the South Texas region. An improved relationship between UTHSCSA and the Lower Rio Grande Valley AHEC Board of Directors has been established and a continued improvement is occurring.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> Target Date: Continuous</p> <p>Our AHEC program director and his staff continue to devote regular attention to this area, as do the President of the Health Science center and members of the Health Science Center Executive Committee. A renewed and strengthened relationship between the campus and the Lower Rio Grande Valley AHEC Board of Directors is working very well.</p> <p>Contact: Robert B. Price, Executive Vice President</p>	
<p><u>Management's Response from Original Report:</u></p> <p><i>Contracts to achieve full compliance are being developed.</i></p> <p><i>Procedures will be in place and followed for all federal funds by 10/1/97.</i></p> <p><i>HSC staff will continue to work with centers to develop other revenue sources.</i></p> <p><i>HSC staff will continue to maintain and enhance relationships.</i></p>		

Agency No. 747  
**The University of Texas at Brownsville In Partnership with  
Texas Southmost College**

**An Audit Report on the University of Texas at Brownsville in Partnership with Texas Southmost College**

SAO Report No. 97-085, August 1997

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<i>Combining executive management of the University and Texas Southmost college raises concerns about control environment.</i>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p>Texas Southmost College should employ its own independent Operating Officer. Or, if one individual remains Operating Officer of both Institutions, (1) a written policy change should be made to avoid conflicts of interest and (2) a new interagency contract defining duties that the University President will provide to the College should be negotiated.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Completed. The contracts have been changed to include the Chief Executive Officer's roles for both institutions.</p> <p><b><u>Implementation History</u></b></p> <p>Status as of 12/31/97: <b>PARTIALLY IMPLEMENTED</b> <span style="float: right;">Target Date: 6/98</span></p> <p>A written policy designed to avoid conflicts of interest is in draft stage.</p> <p>(2) An interagency contract exists that defines the duties of the President, "Exhibit C to Educational Partnership Cooperation Contract Regarding Personnel. Employment. Duties, Selection and Evaluation of the Partnership President."</p> <p>Contact: Dr. Wayne Moore, Vice President</p>
<u><i>Management's Response from Original Report:</i></u>	
<p><i>The College Trustees and University Board believe the delegation is appropriate.</i></p> <p><i>Will review responsibilities added to University President by changes; accept additional appropriate responsibilities by contract amendment; ones not appropriate will be identified and handled outside the operating partnership, by College Trustees and University of Texas board of Regents</i></p>	

**The University of Texas at Brownsville In Partnership with  
Texas Southmost College**

<b>Finding 2:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<i>Human resource areas need improvement, including performance appraisals, recruitment, and merit salary validation.</i>		
Recommendation	Status Reported by Agency	
Comply with policy to retain employee evaluation in personnel files.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Completed. This item has been implemented.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: Spring 1998</p> <p>Departments will be reminded during the 1998 evaluation period that evaluations must be sent to H.R. for inclusion in personnel files.</p> <p>Contact: Amanda Fuhro, Director of Human Resources</p>	
Continue developing formal process where in Human Resources uses evaluations to identify training and development needs.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Completed. This item has been implemented.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: Spring 1998</p> <p>Preparation in process. Will begin with 1998 review period.</p> <p>Contact: Amanda Fuhro, Director of Human Resources</p>	
Add signature field to form.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Completed. This item has been implemented.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: Spring 1998</p> <p>Supervisors and employees will be required to sign and date all evaluation forms.</p> <p>Contact: Amanda Fuhro, Director of Human Resources</p>	
Have Human Resources review evaluations.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Completed. This item has been implemented.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: Spring 1998</p> <p>Will commence with next review period.</p> <p>Contact: Amanda Fuhro, Director of Human Resources</p>	

Agency No. 747  
**The University of Texas at Brownsville In Partnership with  
Texas Southmost College**

<b>Finding 2:</b>  <i>Human resource areas need improvement, including performance appraisals, recruitment, and merit salary validation.</i>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><u>Management's Response from Original Report:</u></p> <p><i>Human resources will work with Vice Presidents to ensure that evaluations are retained.</i></p> <ul style="list-style-type: none"> <li>• Signatures will be added to form.</li> <li>• Forms will be amended to encourage full documentation of hiring/interviews.</li> <li>• Human Resources will include random reviews of evaluations and document training-identification process.</li> </ul>	

Agency No. 755  
**Stephen F. Austin State University**

**An Audit Report on Management Controls at Stephen F. Austin State University**  
 SAO Report No. 97-082, August, 1997

<b>Finding 1-A:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
<p>Since April 1996, the University has not reconciled cash accounts to bank statements in a timely manner or performed supervisory review of reconciliations.</p>			
Recommendation	Status Reported by Agency		
Develop detailed, written policies and procedures over bank reconciliations.	Status as of 6/30/98: <b>IMPLEMENTED</b> <u>Implementation History</u> Status as of 12/13/97: PARTIALLY IMPLEMENTED      Target Date: April 1998 Due to significant changes in personnel, the University plans to take the proposed policy to the Board of Regents April meeting.		
	<hr/>		
Provide for backup personnel to perform reconciliations.	Status as of 6/30/98: <b>IMPLEMENTED</b> <u>Implementation History</u> Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: April 1998		
	<hr/>		
<p><i>Management's Response from Original Report:</i></p> <p>Recently revised reconciliation procedures will be established as written procedures by February 28, 1998. Such procedures will include a provision for backup personnel to perform reconciliations.</p>			

Agency No. 755  
**Stephen F. Austin State University**

<b>Finding 1-D:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The University's cash management procedures are not adequately documented.	
Recommendation	Status Reported by Agency
Management should develop documentation for significant activities and processes.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: April 1998</p> <p>Planned/No action taken - The University will adequately document activities by Feb. 28, 1998.</p> <p>Contact: Dr. Roland Smith, Business Affairs</p>
<i>Management's Response from Original Report:</i>	
The University will adequately document cash management activities and procedures by February 28, 1998.	

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
When compared to other University police departments, staffing level and budget appear excessive.	
Recommendation	Status Reported by Agency
Complete an analysis to determine whether the size of the UPD is appropriate given the size and nature of University operations and adjust accordingly.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Report presented to Board of Regents in April 1998. The Report was considered when the Board approved the University Budget for fiscal year 1999.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 1/31/98</p> <p>Planned - The University has contracted for an analysis to be conducted by an independent contractor. The report is due to the Administration by January 31, 1998. A decision will be reached by the Board of Regents and reflected in the 1998-1999 Budget.</p> <p>Contact: Dr. Baker Pattillo, University Affairs</p>

Agency No. 755  
**Stephen F. Austin State University**

<b>Finding 3-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
When compared to other University police departments, staffing level and budget appear excessive.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Perform additional analysis of the costs and benefits associated with informal assistance agreements with local law enforcement agencies.	Status as of 6/30/98: <b>IMPLEMENTED</b>
	<u>Implementation History</u> Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 1/31/98  The report above should include this area in its analysis  Contact: Dr. Baker Pattillo, University Affairs
<u>Management's Response from Original Report:</u>	
By January 15, 1998, the University will complete an analysis to determine whether the size and scope of the UPD is appropriate. The analysis will examine informal assistance agreements with local law enforcement agencies. The decision will be reached by the Board of Regents and reflected in the 1998-1999 Budget.	

<b>Finding 4-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Current performance appraisal system does not provide formal, periodic appraisals of the University's nonclassified, nonacademic employees.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop a formal performance appraisal system for all nonclassified, nonacademic employees at the University.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 9/98  Will have this information by September 1998.  <u>Implementation History</u>  Status as of 12/31/97: PARTIALLY IMPLEMENTED      Target Date: 9/98
	Include more job-specific performance factors in the performance appraisal form(s) to directly reflect the job responsibilities of the individual being appraised. Develop rating criteria for each factor that are supported by examples of each rating. Develop and conduct periodic training for managers on the evaluation process of the performance appraisal system.

Agency No. 755  
**Stephen F. Austin State University**

<b>Finding 4-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
<p>Current performance appraisal system does not provide formal, periodic appraisals of the University's nonclassified, nonacademic employees.</p>	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<p><i>Management's Response from Original Report:</i></p>	
<p><i>The University will develop a performance appraisal system applicable to all classified and non-classified (non-academic) employees by 9/1/98. It is anticipated that the system will include performance appraisal training and the requirement for written performance appraisals.</i></p>	

Agency No. 755  
**Stephen F. Austin State University**

<b>Finding 4-B:</b>	<b>Overall Status as of 6/30/98: NO ACTION TAKEN</b>	
<p>Training and development is not monitored and coordinated by the University's Personnel Services Office, potentially leading to duplication and inefficiency.</p>		
Recommendation	Status Reported by Agency	
<p>Develop and document a training and development plan and link it to the University's mission.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b></p> <p>Will have this information by September 1998.</p>	<p>Target Date: 9/98</p>
<p>Establish a means of identifying and placing priorities on training and development needs.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b></p> <p>Will have this information by September 1998.</p>	<p>Target Date: 9/98</p>
<p>Establish a method for evaluating the effectiveness of training and development programs.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b></p> <p>Will have this information by September 1998.</p>	<p>Target Date: 9/98</p>
<p>Develop a system to monitor and evaluate training provided to individual employees.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b></p> <p>Will have this information by September 1998.</p>	<p>Target Date: 9/98</p>
<p>Establish a system for training class evaluations by those attending them.</p>	<p>Status as of 6/30/98: <b>NO ACTION TAKEN</b></p> <p>Will have this information by September 1998.</p> <p>Contact: Dr. Roland Smith, Business Affairs</p>	<p>Target Date: 9/98</p>
<p><u>Management's Response from Original Report:</u></p> <p><i>The performance appraisal system will include documentation of training activities and the personnel office will key training data into the human resource system.</i></p>		

Agency No. 755  
**Stephen F. Austin State University**

<b>Finding 4-C:</b>	<b>Overall Status as of 6/30/98: NO ACTION TAKEN</b>
Not all job descriptions exist for nonclassified employees.	
Recommendation	Status Reported by Agency
Develop a job description for all staff, including nonclassified, administrative, and executive positions, after performing appropriate job analysis.	Status as of 6/30/98: <b>NO ACTION TAKEN</b> <span style="float: right;">Target Date: 9/98</span>  Will have this information by September 1998.  Contact: Dr. Roland Smith, Business Affairs
<i>Management's Response from Original Report:</i>	
<p><i>The University will examine its options and develop a cost-effective approach to the development of job descriptions for non-classified employees. Funding will be provided as part of FY98 budget.</i></p> <p><i>The performance appraisal system will include documentation of training activities and the personnel office will key training data into the human resource system.</i></p>	

<b>Finding 4-D:</b>	<b>Overall Status as of 6/30/98: NO ACTION TAKEN</b>
Management does not perform periodic analyses related to recruitment and selection, employee turnover and retention, and the performance appraisal system.	
Recommendation	Status Reported by Agency
Establish review processes to monitor and evaluate the effectiveness of the recruitment and selection function, employees turnover and retention, and the performance appraisal system.	Status as of 6/30/98: <b>NO ACTION TAKEN</b> <span style="float: right;">Target Date: 9/98</span>  Will have this information by September 1998.  Contact: Dr. Roland Smith, Business Affairs
<i>Management's Response from Original Report:</i>	
<p><i>By 9/1/98, the University will initiate development of a system to monitor and evaluate:</i></p> <ol style="list-style-type: none"> <li><i>1) the effectiveness of the employee recruitment and selection function</i></li> <li><i>2) the employee turnover and retention</i></li> <li><i>3) the performance appraisal system</i></li> </ol>	

Agency No. 756  
**Sul Ross University**

**An Audit Report on Management Controls at Sul Ross State University**

SAO Report No. 98-031, February 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>										
Critical student financial assistance problems continue.											
<b>Recommendation</b>	<b>Status Reported by Agency</b>										
Develop, implement, prioritize, and monitor a detailed plan of action for the Financial Assistance problems.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 6/30/98</p> <p>Procedures have been implemented and are being utilized to properly administer short term loans, both as to the granting and the follow-up collection process. File maintenance, including the necessary documentation has improved, but additional efforts are being expended to ensure total compliance with all Federal requirements. The University is in the process revising their policy and procedures manual. Perkins Loan Program target date remains 12/16/98.</p>										
<p>For Category 1 audits the Board of Regents should:</p> <ol style="list-style-type: none"> <li>1. Require audits to be routed to all members of the Board of Regents</li> <li>2. Require Internal Audit's summary of audits to emphasize the severity of the findings and the status of corrective actions</li> </ol>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p>										
<i>Management's Response from Original Report:</i>											
<p><i>The University has developed and is implementing a detailed formal plan of corrective action for the remaining financial assistance problems. Expected completion dates for these areas are:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 35%;"><i>Problem Area</i></td> <td style="text-align: right;"><i>Expected Completion Date</i></td> </tr> <tr> <td><i>Short term loan collections</i></td> <td style="text-align: right;"><i>March 27, 1988</i></td> </tr> <tr> <td><i>File maintenance</i></td> <td style="text-align: right;"><i>April 1, 1998</i></td> </tr> <tr> <td><i>Policies and Procedures Manual</i></td> <td style="text-align: right;"><i>April 6, 1996</i></td> </tr> <tr> <td><i>Perkins Loan Program</i></td> <td style="text-align: right;"><i>December 16, 1998</i></td> </tr> </table>		<i>Problem Area</i>	<i>Expected Completion Date</i>	<i>Short term loan collections</i>	<i>March 27, 1988</i>	<i>File maintenance</i>	<i>April 1, 1998</i>	<i>Policies and Procedures Manual</i>	<i>April 6, 1996</i>	<i>Perkins Loan Program</i>	<i>December 16, 1998</i>
<i>Problem Area</i>	<i>Expected Completion Date</i>										
<i>Short term loan collections</i>	<i>March 27, 1988</i>										
<i>File maintenance</i>	<i>April 1, 1998</i>										
<i>Policies and Procedures Manual</i>	<i>April 6, 1996</i>										
<i>Perkins Loan Program</i>	<i>December 16, 1998</i>										

Agency No. 756  
**Sul Ross University**

<b>Finding 2:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
University policies and procedures are not revised regularly.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Develop a prioritized review schedule for University-wide policies and procedures so that critical policies and procedures are reviewed annually.	Status as of 6/30/98: <b>IMPLEMENTED</b>	
Develop written policies and procedures for important administrative functions.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 11/30/98 Policies and procedures for each department are in the process of being developed.	
<i>Management's Response from Original Report:</i>		
The University is updating its Administrative Policy Manual; the target date for the completion will be November 1998.		

<b>Finding 3:</b>		<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Human resource areas need improvement.		
<b>Recommendation</b>	<b>Status Reported by Agency</b>	
Establish and implement a policy requiring written performance appraisal for all employees.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 8/31/98 A review of performance appraisal systems from other institutions was completed in May 1998. A new position responsible for performance appraisals and staff development was created and approved in May 1998.	
Establish a system to identify and prioritize training development.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: 5/31/99 A new position responsible for staff development was advertised in May 1998. Established relevant training continues.	
Develop and review job descriptions for all staff.	Status as of 6/30/98: <b>IMPLEMENTED</b>	
Require departments to verify applicant information.	Status as of 6/30/98: <b>IMPLEMENTED</b>	

Agency No. 756  
Sul Ross University

Finding 3:		Overall Status as of 6/30/98: IMPLEMENTED
Human resource areas need improvement.		
Recommendation	Status Reported by Agency	
<i>Management's Response from Original Report:</i>		
<ul style="list-style-type: none"><li>• The University will implement a performance appraisal system, target completion date August 1999.</li><li>• The University will establish a training program. The target date for implementation will be May 1999.</li><li>• The university will continue to develop and review job descriptions. The target goal for completion of this process will be December of 1998.</li><li>• The University will improve verification of candidate's qualifications and insure documentation of the process by the hiring department.</li></ul>		

Agency No. 771  
**School for the Blind and Visually Impaired**

**1997 Small Agency Management Control Audit**  
 SAO Report No. 97-086, August 1997

<b>Finding 1-A:</b>		<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>	
As of April 1997, 389 inventory items valued at \$576,370 could not be located or accounted for.			
Recommendation	Status Reported by Agency		
<p>Certify physical inventory only if confident of accuracy.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>We are in the process of conducting our FY 1998 physical inventory. Our subsequent certification of the inventory will only reflect items which we have verified to be in our possession.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: NO ACTION PLANNED                      Target Date:</p> <p>Our certification of the fiscal 1997 physical inventory accurately reflected inventory items that we had verified to be in our possession.</p>		
<p>Perform monthly fixed asset reconciliations.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>                      Target Date:</p> <p>We are currently developing a process to reconcile monthly additions recorded in the State Property Accounting System (SPA) to fixed assets purchase transactions recorded in the Uniform Statewide Accounting System (USAS).</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED</p> <p>The school uses the Uniform Statewide Accounting System (USAS) as its internal accounting system. Since converting to USAS, we have only made adjustments to the USAS fixed assets balances (Appropriation Fund 1998) at year end, even though we record additions and deletions to the State Property Accounting System (SPA) throughout the year. In order to implement the recommendation, we will begin recording the adjustments in USAS each month. We plan to begin this in February of the current year.</p>		
<p>Assign fixed assets to specific user and obtain signed receipts form.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>                      Target Date:</p> <p>Assignments of specific responsibility are being made in conjunction with the FY 1998 physical inventory.</p> <p><b>Implementation History</b></p> <p>Status as of 12/31/97: PARTIALLY IMPLEMENTED Target Date:</p> <p>The process of assigning responsibility to specific users continues at this time and will be an ongoing process as the school continues to acquire new property and dispose of obsolete or unneeded items.</p> <p>Contact: Malcolm Cleveland, Accounting Director</p>		

Agency No. 771  
**School for the Blind and Visually Impaired**

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
As of April 1997, 389 inventory items valued at \$576,370 could not be located or accounted for.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<ul style="list-style-type: none"> <li>• Performed an extensive search, locating all but 23 items.</li> <li>• Developed and implemented a new property accounting procedure.</li> <li>• In process of implementing procedures to assign assets to users.</li> </ul>	

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Controls over cash do not provide reasonable assurance that school receipts are protected from loss, misuse, or abuse.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
The School should consider the cost/benefit of having two people to run and staff the snack bar and two to open the mail and prepare the deposit slip.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>We have determined that the increased personnel cost of having two people staff the snack bar would outweigh any benefit derived.</p> <p>As previously stated we have already implemented the recommendation to have two people open the mail and prepare the deposit slips.</p>
Purchase a cash register for the snack bar operation and implement the controls reasonably necessary to ensure that all cash received by the snack bar is accounted for.	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>We have purchased and installed a cash register in the snack bar. It was placed in service at the beginning of this calendar year.</p> <p>Contact: Malcolm Cleveland, Accounting Director</p>
<i>Management's Response from Original Report:</i>	
<ul style="list-style-type: none"> <li>• The school will consider the cost/benefit of having two employees to operate the snack bar. However we are unsure of what degree of increased control the presence of another person would provide. Employing an additional person in the snack bar would have a significant impact on its operating costs. Given the level of sales that the snack bar generates, it may not be economically reasonable to add a staff position there.</li> <li>• The School has initiated the purchase of a cash register for the snack bar operation and will implement the necessary controls to ensure the accounting for all cash received. We would like to evaluate the use of the cash register before any decision is made to add an employee to the snack bar. We would also like to note that we know of no irregularities that have occurred in the snack bar, and that no irregularities were brought to our attention as a result of the auditor's examination.</li> <li>• We have already implemented the recommendation that two staff open the mail.</li> </ul>	

**School for the Blind and Visually Impaired**

<p><b>Finding 2:</b></p>	<p><b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b></p>
<p>Controls over accounting data security provide no assurance that the information contained in USAS and later used in financial reports is accurate.</p>	
<p><b>Recommendation</b></p>	<p><b>Status Reported by Agency</b></p>
<p>The school should review its security profiles and establish stricter access controls to the Uniform Statewide Accounting System. In particular, we recommend that no employees have the ability to both release batches and enter data into USAS.</p>	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:</p> <p>The first part of the recommendation has been implemented. We periodically review our security profiles to ensure they are consistent with our user needs.</p> <p>However, no action has yet been taken on the second half of the recommendation. We still have two employees who have the ability to both enter data and release batches in USAS. We have retained that dual ability for those two employees thus far because of the small size of our Accounting Department. However, we have instituted an internal policy that neither of these two employees may release any batches in which they have also entered the data. In the event that one of these two individuals had to both enter the data and release the batch, our internal policy also requires that the batch be reported to and reviewed by the School's Business Manager.</p> <p>Contact: Malcolm Cleveland, Accounting Director</p>
<p><i>Management's Response from Original Report:</i></p> <p><i>We are reviewing the our USAS security profiles to ensure that they are consistent with our user needs for access and security level needs and will modify them as appropriate.</i></p> <p><i>Currently only two employees have the ability to both enter data and release batches into USAS. They are the Accounting Director and the Accounting Supervisor. It seems to us that the authority to release batches into USAS, which is equivalent to the authority to sign checks, should be reserved to these positions and not delegated to other staff in the department. The only practical way for us to implement the auditor's recommendation that no employees have the ability to both enter data and release batches would be to restrict these two employees from data entry. Neither of these two positions routinely enter data, but there has been occasions in the past when both have done so. We will evaluate the possible impact on our day-to-day operations if we were to not allow these two positions the ability to enter data. We will also explore procedural controls that might alleviate the auditor's concern.</i></p>	

Agency No. 772  
**School for the Deaf**

**1998 Small Agency Management Control Audit**

SAO Report No.98-035 , April 1998

<b>Finding 1-A:</b>	<b>Overall Status as of 6/30/98: NO ACTION TAKEN</b>
Improve procedures over fair labor standards act (FLSA) administration.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Periodically review the duties and responsibilities of all classified positions to determine the appropriate FLSA exempt or nonexempt status.	Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date: FY 1999 The School's FLSA Action Plan will be implemented next year.
Maintain documentation to support FLSA determinations.	Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date: FY 1999 The School's FLSA Action Plan will be implemented next year.
<u>Management's Response from Original Report:</u>	
<p><i>The School has begun a project to develop functional job descriptions for all positions. As each "family" of jobs is brought forward for study and functional job descriptions developed, FLSA status and determinations will be concurrently reviewed. This project is scheduled to be completed during FY 1999. Thereafter, FLSA status will be reviewed periodically.</i></p> <p><i>As FLSA determinations are reviewed, they will be recorded on the functional job description and documentation will be maintained in the Human Resources office.</i></p>	

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improve the performance appraisal process.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Follow the policy requiring annual performance appraisals.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: Tracking and follow-system developed.
Revise procedures to use evaluation criteria specific to the job position being evaluated.	Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date: 8/99 HR Director resigned, project still targeted for August 31, 1999.
Provide guidelines and specific examples to evaluators to ensure consistency in employee appraisals.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date: HR staff collecting sample evaluations from other schools for the deaf.

Agency No. 772  
**School for the Deaf**

<b>Finding 1-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improve the performance appraisal process.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
<i>Management's Response from Original Report:</i>	
<p>The School will review, and revise where necessary, the procedures currently in place to ensure that the School's policy requiring annual performance evaluations is implemented. This will be completed during FY 1998.</p> <p>As recommended in Section 1-C, the School has begun a project to develop functional job descriptions for all positions. As each "family" of jobs is brought forward for study and functional job descriptions developed, evaluation criteria specific to the position will become the basis of a revised evaluation document. This task will be completed in conjunction with the project to develop functional job descriptions, which should be completed during FY 1999.</p> <p>The School will develop guidelines and train evaluators on the use of the specific job criteria in the performance evaluation process.</p>	

<b>Finding 1-C:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Create and maintain functional job descriptions for all positions.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend the School prepare and maintain functional job descriptions for all positions.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  The "family" of residential job postings have been revised to include "functional" job descriptions.
<i>Management's Response from Original Report:</i>	
The School has begun a project to develop functional job descriptions for all positions.	

<b>Finding 1-D:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Develop a training budget, training goals, and a system to identify training needs.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop an overall training plan, which establishes both short- and long-term plans with clearly stated objectives and a direct relationship to the School's mission and goals.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  The School's New Employee Orientation plan has been reviewed and revised to support the School's mission and goals.

Agency No. 772  
**School for the Deaf**

<b>Finding 1-D:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Develop a training budget, training goals, and a system to identify training needs.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop training and development budget designating the amount of time and funds to be spent on training.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Staff training days have been identified on the Board approved calendar. Staff training budget will be developed as part of the operating budget.
Develop a means of identifying and prioritizing training and development needs.	Status as of 6/30/98: <b>NO ACTION TAKEN</b> Target Date:
<i>Management's Response from Original Report:</i>	
<p>The School has an overall training plan for its contract personnel that is built into the state teacher assessment program.</p> <ul style="list-style-type: none"> <li>• The School agrees that a short and long-term plan with clearly stated objectives and a direct relationship to the School's mission and goals needs to be developed for classified employees.</li> <li>• The School will develop a training budget to identify time and funds to support the staff development needs of all staff for FY 1999.</li> <li>• The School will develop a formal needs assessment to identify and prioritize the training and staff development needs of nondirect student service classified staff.</li> </ul>	

<b>Finding 2-A:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Improve separation of duties and supervision over cash transactions.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Ensure that duties involved in cash transactions are separated and supervised.	Status as of 6/30/98: <b>IMPLEMENTED</b>
Replace key positions in a timely manner.	Status as of 6/30/98: <b>IMPLEMENTED</b>
<i>Management's Response from Original Report:</i>	
<p>Procedures have been revised to correct the situation where separation of duties and supervisory controls were inadequate.</p> <p>The School will increase its efforts to post key positions in a timely manner. We do anticipate, however, that in certain circumstances our unique needs for specialized personnel may cause extended timelines.</p>	

Agency No. 772  
**School for the Deaf**

<b>Finding 2-B:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
Improve controls over fixed assets.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Require inventories be conducted in a timely manner by teams of at least two independent individuals.	Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b> Target Date:  Next inventory is scheduled for August 98.
Perform monthly fixed asset reconciliations as recommended in the SPA system guidelines.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Reconciliations are current.
<i>Management's Response from Original Report:</i>	
The School will revise procedures to require that teams of two conduct inventories and will strive to ensure that all inventories are completed in a timely fashion.	
All fixed asset reconciliations have now been completed and will be performed monthly in the future.	

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
Prepare a formal disaster recover plan.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
We recommend the School develop and implement a formal disaster recovery plan that complies with DIR guidelines.	Status as of 6/30/98: <b>IMPLEMENTED</b>  Plan was submitted to DIR on April 30, 1998.
<i>Management's Response from Original Report:</i>	
The School has included a disaster recovery project in its FY 1998-99 Biennial Operating Plan for Technology.	

Agency No. 813  
**Commission on the Arts**

**1998 Small Agency Management Control Audit, Texas Commission on the Arts**  
 SAO Report No. 98-035, April 1998

<b>Finding 1:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
The Commission has not developed a risk assessment process to select programs for on-site monitoring.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Develop and implement an on-site grant-monitoring program to ensure that grant funds are properly expended and accounted for in accordance with grant requirements.	<p>Status as of 6/30/98: <b>IMPLEMENTED as of 2/23/98</b></p> <p>The Commission implemented the program on February 23, 1998. As of June 29, 1998, the Commission will have made 22 visits, representing 36 grants and \$303,876. The Commission has also incorporated the on-site monitoring program as part of its performance measures.</p>
<i>Management's Response from Original Report:</i>	
<p><i>The Commission has implemented an on-site monitoring program as of February 23, 1998. The on-site monitoring program is part of the Commission's strategic performance measures that will include approximately 20 visits per year using the formal risk management procedures that will be in place.</i></p>	

<b>Finding 2:</b>	<b>Overall Status as of 6/30/98: PARTIALLY IMPLEMENTED</b>
The Commission has not implemented a formal risk assessment process for on-site monitoring.	
<b>Recommendation</b>	<b>Status Reported by Agency</b>
Formalize a risk assessment process for frequency of monitoring and the scope of work performed during visits.	<p>Status as of 6/30/98: <b>PARTIALLY IMPLEMENTED</b>      Target Date: 9/1/98</p> <p>While risk management procedures were in place and followed, the Commission met with State Auditor personnel to develop a more formalized risk assessment process on June 10, 1998. An outline was prepared and the procedures are being worked on.</p>
<i>Management's Response from Original Report:</i>	
<p><i>The Commission has requested the assistance of the State Auditor's Office in developing a risk assessment tool for the on-site monitoring of grant recipients.</i></p>	

Agency No. 813  
**Commission on the Arts**

<b>Finding 3:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>At the time of our review, the Commission had not yet fully developed a written policy which disallows employees from submitting travel vouchers for engagements unrelated to their employment.</p>	
Recommendation	Status Reported by Agency
<p>Establish a written policy which disallows employees from submitting travel vouchers for engagements unrelated to their employment even for cases in which the employee later reimburses the State.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>The Commission, with the assistance of the State Auditor's staff, changed the language to more clearly address this issue in the Commission's personnel manual.</p>
<p><u>Management's Response from Original Report:</u></p> <p>While policies are in place the Commission agrees the language in the agency's personnel manual needs improvement.</p>	

<b>Finding 4:</b>	<b>Overall Status as of 6/30/98: IMPLEMENTED</b>
<p>The Commission still does not follow its own or the State's purchasing requirements (<i>General Services Commission's Procurement Manual</i> and Government Code Section 2156.121).</p>	
Recommendation	Status Reported by Agency
<p>Comply with internal policies and procedures in obtaining competitive bids.</p>	<p>Status as of 6/30/98: <b>IMPLEMENTED</b></p> <p>Purchasing functions have been centralized and forms have been computerized. Backup documentation concerning bids is now placed with the payment vouchers.</p> <p>Contact: Frank Snell</p>
<p><u>Management's Response from Original Report:</u></p> <p>The Commission has enhanced controls to ensure that internal procedures are being followed. The Commission has centralized its purchasing functions. Purchase vouchers have also been automated to where all the necessary information (fund, legal cite) will be identified.</p>	

Every six months, the State Auditor's Office (Office) requests that agencies submit updated information on the implementation status of significant recommendations. The Office compiles the information into this report.

This report was originally available on the Internet. Bound copies (available by request only) were not distributed. Notice of this report's Internet availability was distributed to the following:

## **Legislative Audit Committee**

The Honorable James E. "Pete" Laney, Speaker of the House, Chair  
The Honorable Bob Bullock, Lieutenant Governor, Vice Chair  
The Honorable Bill Ratliff, Chair, Senate Finance Committee  
The Honorable Kenneth Armbrister, Chair, Senate State Affairs Committee  
The Honorable Robert Junell, Chair, House Appropriations Committee  
The Honorable Tom Craddick, Chair, House Ways and Means Committee

## **Governor of Texas**

The Honorable George W. Bush

## **Legislative Budget Board**

## **Sunset Advisory Commission**

**All Executive Directors, Presidents, and  
Internal Auditors of the Agencies and  
Universities Included in this Report**

This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most SAO reports may be downloaded from our Internet site: <http://www.sao.state.tx.us>

In compliance with the Americans with Disabilities Act, this document may also be requested in alternate formats. To do so, contact Production Services at (512) 479-4740 (Voice), (512) 479-4884 (FAX), 1-800-RELAY-TX (TDD), or visit Two Commodore Plaza, 206 E. Ninth Street, Room 19.100, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.