



A Legislative Summary Document Regarding Telecommunications Infrastructure Fund Board

Contents

Key Findings from Previous Audits and Reviews

Most Recent Performance Measure Certification

Quality Assurance Team Reviews

Information System Vulnerability Assessments

Travel Expenditures

State Auditor's Observations

The Telecommunications Infrastructure Fund Board (Agency) cannot sufficiently demonstrate that it has awarded grants as the Legislature intended because (1) it has not developed quantifiable criteria to evaluate the grant awards program and (2) its grant management system lacks the detail necessary to analyze whether priority constituents are adequately served.

Weaknesses in the Agency's grant payment process increase the risk that grant funds will not be used as intended.

The Agency's grant monitoring process is inadequate for determining whether grantees are complying with grant requirements.

Prepared for the 78th Legislature
by the State Auditor's Office

January 2003

SAO No. 03-391

This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

Telecommunications Infrastructure Fund Board

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Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

An Audit Report on Grant Administration at the Telecommunications Infrastructure Fund Board

(Report No. 03-005, October 2002)

The Telecommunications Infrastructure Fund Board (Agency) cannot sufficiently demonstrate that it has awarded grants as the Legislature intended because (1) it has not developed quantifiable criteria to evaluate the grant awards program and (2) its grant management system lacks the detail necessary to analyze whether priority constituents are adequately served.

Status of Audit Recommendations as of November 30, 2002

No status is reported at this time to allow the Agency sufficient time to address recommendations in this recently released report.

Weaknesses in the Agency's grant payment process also increase the risk that grant funds will not be used as intended. We project that the Agency has paid approximately \$4.4 million to grantees for items that were not approved in the grantees' budgets during fiscal years 2000, 2001, and part of 2002.

The Agency's grant monitoring process is inadequate for determining whether grantees are complying with grant requirements. From fiscal year 1999 through May 2002, the Agency paid a contractor \$5.8 million to perform the grant monitoring function. However, the contractor conducted on-site monitoring visits at only 1 percent of all grantees. In addition, the Agency did not follow up on the contractor's findings and did not include certain grants in the monitoring process.

Starting at the beginning of fiscal year 2003, the Agency will be solely responsible for performing the monitoring function. With the Agency's statutory expiration date set for September 1, 2005, however, there may be insufficient time left to improve the Agency's oversight of approximately \$500 million in grant funds that the Agency has not yet awarded. The Agency has already awarded approximately \$1 billion in grants from the Telecommunications Infrastructure Fund.

In addition, the Agency does not hold grantees accountable since its grant agreements generally lack key provisions such as performance measures and sanctions. The Agency also is inconsistent in its enforcement of grant agreement provisions requiring grantees to submit requests for funds within 90 days of the expiration of the grant period.

We identified some of the weaknesses included in this report in a previous audit report (*An Audit Report on the Telecommunications Infrastructure Fund Board*, Report No. 00-010, February 2000).

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Most Recent Performance Measure Certification

Fiscal Year 1998–Fiscal Year 2003

The results of *An Audit on Performance Measures at 11 State Agencies–Phase 13* (Report No. 00-030, May 2000) for this entity are summarized below.

Period	Goal/Strategy	Measure	Certification Results	
1999	A.1	Provide Grants and Loans	Percent Increase in Number of Campuses Engaging in Distance Learning Techniques	Factors Prevented Certification
1999	A.1.1	Grants and Loans K-12	Number of Grants and Loans Provided	Certified with Qualification
1999	A.1.1	Grants and Loans K-12	Number of Grants and Loans Provided to Rural Schools	Factors Prevented Certification
1999	A.1.2	Grants and Loans - Higher Ed	Number of Grants and Loans Provided to Institutions in Rural Areas	Factors Prevented Certification
1999	B.1.1	Grant Implementation	Number of Grant and Loan Requests Processed	Inaccurate
Total Measures Certified Without Qualification			0/5 (0%)	
Data Reliability Percentage (Certified and Certified with Qualification)			1/5 (20%)	
<small>^a The percentage of unqualified certifications is presented because it is used in determining an entity's eligibility for performance rewards as established in the General Appropriations Act [77th Legislature, Article IX, Sec. 6.31(d)(2)].</small>				

Category	Definition
Certified	Reported performance is accurate within +/-5 percent, and controls appear adequate to ensure accurate collection and reporting of performance data.
Certified with Qualification	Reported performance is within +/-5 percent, but the controls over data collection and reporting are not adequate to ensure the continued accuracy of performance data.
Factors Prevented Certification	Actual performance cannot be determined because of inadequate controls and insufficient documentation.
Inaccurate	Reported performance is not within +/-5 percent of actual performance, or there is an error rate of at least 5 percent in the supporting documentation.
Not Applicable	A justifiable reason exists for not reporting performance.

Quality Assurance Team Reviews

Conducted by the Legislative Budget Board and State Auditor's Office

Canceled Projects

Quality Assurance Team Annual Report – January 2003

The Telecommunications Infrastructure Fund Board (Agency) canceled the TIFBase project at a total cost of \$1,240,000. The goal of the project was to develop an automated decision-support system to facilitate the administration, management, and quality control of the Agency's grant programs.

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Information System Vulnerability Assessments

The State Auditor's Office (SAO) and/or the Department of Information Resources performed one or more information system vulnerability assessments at the Telecommunications Infrastructure Fund Board between January 2000 and November 2002. Detailed results of this work are confidential under Texas Government Code, Section 2054.077(c). The SAO's Legislative Summary Document titled "Information System Vulnerability Assessments" provides general information about the results of information system vulnerability assessments.

Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 35,683	\$ 32,276	\$ 41,650
Out-of-State Travel	78	1,852	218
Foreign Travel	0	0	0
Other Travel Costs	(87)	0	0
Total Travel Expenditures	\$ 35,674	\$ 34,129	\$ 41,868
Limit on Travel Expenditures (Cap)	71,638	39,455	2,635 ^a
Expenditures in Excess of Cap	\$ 0	\$ 0	\$ 0

^a Caps apply to total travel in appropriation years 2000 and 2001, but caps apply only to out-of-state travel and foreign travel in appropriation year 2002. Caps, calculated by the Comptroller of Public Accounts, have been adjusted for any increases requested by the Agency and approved by the Legislative Budget Board in accordance with the General Appropriations Act.

Source: Uniform Statewide Accounting System (USAS) as of November 30, 2002. Amounts are subject to change as agencies continue to record additional expenditures or adjustments.