



An Audit Report on

Financial Processes at the Veterans Commission

June 2018
Report No. 18-031



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Overall Conclusion

The Veterans Commission (Commission) has established controls to help ensure that it administers financial transactions in accordance with applicable statutes, rules, and Commission policies and procedures. Specifically, the Commission:

- Submitted accurate and supported funding drawdown requests to the U.S. Department of Veterans Affairs.
- Approved travel reimbursements according to its policies, reimbursed for only allowable expenses, and paid travel reimbursements within the required time frames.
- Processed contract and grant payments in accordance with applicable requirements.
- Processed payroll transactions in accordance with applicable requirements.

Background Information

The Veterans Commission (Commission) advocates for Texas veterans, their families, and survivors. The Commission provides services through nine program areas: Claims Representation and Counseling, Veterans Employment Services, Veterans Education, Communications and Veterans Outreach, the Veteran Entrepreneur Program, Health Care Advocacy, the Veterans Mental Health Program, the Women Veterans Program, and the Fund for **Veterans' Assistance**.

The Commission received appropriations totaling approximately \$83.6 million for the 2018-2019 biennium. That amount was comprised of \$26.7 million in general revenue funds, \$22.1 million in federal funds, and \$34.8 million in other funds.

Sources: The Commission and the General Appropriations Act (85th Legislature).

However, the Commission should ensure that it (1) consistently submits accurate funding drawdown requests to the U.S. Department of Labor, (2) strengthens its review process for travel expenditures to detect errors, and (3) reports contract **information accurately to the Legislative Budget Board and on the Commission's** Web site. The Commission also should strengthen access controls to help ensure the integrity of critical information in its information systems.

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

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

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1	The Commission Had Revenue Processes to Ensure That Drawdowns of Federal Funds Generally Complied with Applicable Requirements; However, It Should Strengthen Its Reviews to Verify Accuracy	Medium
2-A	The Commission Had Controls to Ensure That Travel Expenditures Complied with Applicable Requirements; However, It Should Strengthen Its Review Process for Those Expenditures	Medium
2-B	The Commission Had Controls to Ensure That Contract Payments Complied with Applicable Requirements; However, It Should Strengthen Its Contract Reporting Process	Medium
2-C	The Commission Had Controls to Make Grants Payments in Accordance with Applicable Requirements	Low
2-D	The Commission Had Controls to Process Payrolls and Payroll Changes in Accordance with Applicable Requirements	Low
3	The Commission Had Adequate Controls to Ensure the Reliability of Its Financial Data; However, It Should Strengthen Controls Over User Access to Its Information Technology Systems	Low

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

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

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

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

Summary of Management's Response

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

Audit Objective and Scope

The objective of this audit was to determine whether the Commission has processes and related controls to help ensure that it administers financial transactions in accordance with applicable statutes, rules, and Commission policies and procedures.

The scope of this audit covered the Commission’s activities related to revenue, payroll actions, non-travel expenditures, travel expenditures, and related information systems for fiscal year 2017 (September 1, 2016, through August 31, 2017) and the first five months of fiscal year 2018 (September 1, 2017, through January 31, 2018).

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Detailed Results

Chapter 1

The Commission Had Revenue Processes to Ensure That Drawdowns of Federal Funds Generally Complied with Applicable Requirements; However, It Should Strengthen Its Reviews to Verify Accuracy

Chapter 1
Rating:
Medium¹

The Commission had processes to ensure that its requests for awarded federal grant funding, called drawdowns, generally complied with applicable requirements. However, it did not consistently review the drawdowns for accuracy.

The Commission received federal grant funding from the U.S. Department of Labor (DOL) and the U.S. Department of Veterans Affairs (VA) (see text box). Each month, the Commission submits requests to receive the federal funding.

U.S. Department of Labor Grants

The Commission did not have detailed policies and procedures for preparing and submitting its DOL drawdowns, including procedures for reviews of those drawdowns. From September 1, 2016, through January 31, 2018, the Commission received approximately \$18.5 million in DOL funding. The Commission asserted that it did not review all of the DOL drawdowns it submitted during that time period. Auditors tested 4 DOL drawdowns and identified calculation errors for 2 (50 percent) of those drawdowns. Specifically:

- For the January 2017 funding request tested, the Commission incorrectly used a rate from a prior time period to calculate the indirect reimbursement amount. This resulted in a difference of \$2,834.

The Commission's Federal Grant Drawdowns

The Commission receives the following types of federal grant funding:

Department of Labor (DOL):

- **Disabled Veterans' Outreach Program** (CFDA 17.801) – “Funds must be used by States only for salaries, expenses, and reasonable support of Disabled Veterans' Outreach Program Specialists who are assigned ... to meeting the employment needs of eligible veterans.”
- **Local Veterans' Employment Representative Program** (CFDA 17.804) – “Funds must be used only for salaries, expenses, and reasonable support of Local Veterans' Employment Representatives who shall be assigned ... to providing services to veterans.”

Department of Veterans Affairs (VA):

- **All-Volunteer Force Educational Assistance Program** (CFDA 64.124) – Funds are used for “reasonable and necessary expenses of salary and travel incurred by employees of such agencies ... rendering necessary services in ascertaining the qualifications of educational institutions for furnishing courses of education to eligible persons or veterans ... and in the supervision of such educational institutions.”

Sources: Title 38, United States Code, Chapter 36, and *Catalog of Federal Domestic Assistance* at www.cfda.gov.

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

- For the December 2017 funding request tested, the Commission incorrectly used expenditure information from a prior time period. This resulted in a net difference of \$29,711.

U.S. Department of Veterans Affairs Grants

For VA drawdowns, the Commission had detailed documented policies and procedures, which require a budget analyst to prepare the drawdowns and the chief financial officer to certify them before submission. From September 1, 2016, through January 31, 2018, the Commission received more than \$1.4 million in VA funding. The Commission asserted that due to turnover in its budget analyst position, the chief financial officer both prepared and certified its VA drawdowns during that time period. For all four drawdowns that auditors tested, the requested reimbursements were accurately calculated and matched supporting documentation. However, having the same person prepare and review the drawdowns increases the risks that errors will go undetected.

In its annual financial report for fiscal year 2017, the Commission reported that of its \$47.7 million in revenues, \$15.8 million were federal funds.

Recommendations

The Commission should:

- Develop, document, and implement detailed policies and procedures for preparing and reviewing DOL drawdowns.
- Ensure that all drawdowns are reviewed for accuracy by someone other than the preparer.

Management's Response

Responsible for Implementation: Chief Financial Officer - partially implemented, implemented by August 31, 2018.

Management agrees with the recommendations. The Finance Department will enhance its policies by developing a more detailed procedure with documented processes for preparing and reviewing the DOL drawdowns. The vacant Budget Analyst has been hired for V A drawdown preparation and once again reviewed by the Chief Financial Officer. If turnover takes place again, any VA drawdowns prepared by the Chief Financial Officer will be reviewed by the Executive Director or designee.

The Commission Had Controls to Ensure That Its Expenditures Complied with Requirements; However, It Should Strengthen Its Processes for Travel Expenditures and Contract Reporting

The Commission had processes and controls in place to ensure that expenditures for travel reimbursements, contract payments, grant payments, and payrolls complied with state laws and regulations and Commission policies. However, the Commission should strengthen its processes for reviewing travel expenditures and contract reporting.

Chapter 2-A

The Commission Had Controls to Ensure That Travel Expenditures Complied with Applicable Requirements; However, It Should Strengthen Its Review Process for Those Expenditures

Chapter 2-A
Rating:
Medium²

The Commission had controls to ensure that travel expenditures complied with certain requirements. Specifically, for all travel vouchers tested, the Commission:

- Approved travel reimbursements according to Commission policies.
- Reimbursed for only allowable expenses.
- Paid travel reimbursements within 45 days as required by its policies.

In addition, the Commission's process requires all travel expenditures to be reviewed to verify compliance with applicable requirements. However, the Commission should strengthen that review process to verify compliance with all requirements.

The Commission classified 11,796 individual financial records totaling \$1,497,939 as travel-related expenditures during fiscal year 2017 and fiscal year 2018 through January 31, 2018. A travel accountant in the Commission's Finance Department receives all travel vouchers, reviews them for required elements, and enters those transactions into the financial records; a lead accountant or other approver then reviews to verify that the transactions were entered correctly.

Nine (24 percent) of 37 travel vouchers that auditors tested contained exceptions to applicable requirements. Those included not documenting the reasons as required when expenditures exceeded state rates, not including all required language in the documented business purpose, not submitting a

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

completed travel authorization form with the travel voucher as required, and minor calculation errors. While the identified exceptions did not result in significant financial loss for the Commission, not having a sufficient review process increases the risk that significant errors could occur and remain undetected.

Recommendation

The Commission should strengthen its review process for travel expenditures to enable substantive reviews for the volume of transactions processed. This could include adding resources to the review process, developing review aids that address common errors identified on travel vouchers, and/or providing periodic training on travel vouchers that addresses common submission errors.

Management's Response

Responsible for Implementation: Chief Financial Officer - implemented

Management agrees with the recommendation. The vacant Lead Accountant position was filled in April of 2018 which is primarily responsible for overseeing the review process. Prior to this position, many staff members were assisting with the approval process. Now that the Finance Department is fully staffed, a clear process has been established. This includes reviewing and updating Travel Policy and Voucher Checklist for submission to accurately complete the payment process.

The Commission Had Controls to Ensure That Contract Payments Complied with Applicable Requirements; However, It Should Strengthen Its Contract Reporting Process

Chapter 2-B
Rating:
Medium³

The Commission had controls to ensure that contract payments complied with applicable requirements. Specifically, for all 28 contract payments tested:

- The payment amount matched the supporting documentation.
- The supporting documentation included approval of the payment by the Commission's purchasing or program staff.
- Someone other than the preparer reviewed the payment.

The 28 contract payments tested were for 14 contracts. Three of those contracts were statewide information technology contracts administered by the Department of Information Resources. For the other 11 contracts, the Commission retained evidence of an executed contract as required by law.

However, the Commission did not ensure that contract information it is required to post on its Web site was accurate and did not always report contract information to the Legislative Budget Board as required (see text box for more information about legislative reporting requirements). The Commission asserted that its purchasing staff had not implemented a procedure for creating the contract population. As a result, it entered the contract information directly into the Legislative Budget Board's database without a documented review, which resulted in the errors. Specifically, the Commission:

Senate Bill 20 (84th Legislature, Regular Session)

State agencies shall report contract and purchasing information in the uniform manner required by the Office of the Comptroller of Public Accounts, including a brief summary of each contract that is quickly and easily searchable, including the contract's purpose, timeline, and deliverables.

- Posted on its Web site incorrect contract values for 72 contracts. Additionally, it reported one incorrect contract value to the Legislative Budget Board. The Commission overstated the values for those contracts because it misplaced a decimal point; for example, the Commission reported to the Legislative Budget Board the value for the one contract as \$7.5 million instead of the correct \$75,000.
- Misidentified on its Web site the grant contract type for 37 of the 72 contracts discussed above. The Commission also misidentified the grant

³ Chapter 2-B is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

contract type when it reported the 37 contracts to the Legislative Budget Board. For example, the Commission reported 10 Veterans Mental Health program grant contracts to the Legislative Budget Board as General Assistance grant contracts.

- Did not post one contract on its Web site, and it did not report another contract to the Legislative Budget Board.
- Listed one contract twice on its Web site, and it also reported that same contract twice to the Legislative Budget Board.

Recommendation

The Commission should develop and implement a process to ensure that contract information reported to the Legislative Budget Board and contract information posted on its Web site are complete and accurate.

Management's Response

Responsible for Implementation: Chief Financial Officer - partially implemented, implemented by August 31, 2018.

Management agrees with the recommendation. The Finance Department is in the process of implementing written procedures to ensure all future contracts reported to the Legislative Budget Board (LBB) and posted on the agency's website are complete and accurate before submission. When a contract is entered into the LBB Contracts Database, it will be reviewed for accuracy before final submission. Once a contract is submitted to the LBB, a separate review will be conducted for completeness and accuracy. If an error is identified, it will immediately be fixed. A final review will then be performed to ensure accuracy. The TVC website will contain a link to the LBB Contracts Database for viewing agency's contracts. This will avoid potential reporting errors of contract information and eliminate duplication of effort by focusing on one centralized system.

The Commission Had Controls to Make Grant Payments in Accordance with Applicable Requirements

Chapter 2-C
Rating:

Low⁴

The Commission had controls to make grant payments in accordance with applicable laws, regulations, and internal policies and procedures (see text box for grant types). Specifically:

- For all 30 grant payments tested, the payment amount matched the supporting documents that the grantee provided.
- For all 30 grant payments tested, the payment request was reviewed and the payment approved according to Commission policy.
- For all 28 grant payments tested for which the grantee was required to provide a financial report prior to the payment, the Commission appropriately withheld payment for 11 grantees until those grantees submitted the required report. For the other 17 grant payments tested, the grantee submitted the required financial report prior to or at the time of the request for payment.

Direct Services Grants Awarded by the Commission's Fund for Veterans' Assistance

The Fund for Veterans' Assistance provides four main types of grants to nonprofits and local government entities. Those grant types are:

- General Assistance - These grants provide a variety of assistance or mental health services to veterans, their families, and surviving spouses.
- Housing for Texas Heroes - These grants assist veterans, their families, and surviving spouses to obtain, maintain, or improve housing.
- Veterans Mental Health - These grants create greater access to and awareness of mental health resources for veterans.
- Veterans Treatment Court - These grants provide veterans with services through Veteran Treatment Court programs.

Source: The Commission's *Strategic Plan Fiscal Years 2017-2021*.

⁴ Chapter 2-C is rated Low because the audit identified strengths that support the audited entities' ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entities' ability to effectively administer the program(s)/function(s) audited.

The Commission Had Controls to Process Payrolls and Payroll Changes in Accordance with Applicable Requirements

Chapter 2-D
Rating:

Low⁵

The Commission had controls in place to help ensure that it accurately processed payroll transactions in accordance with applicable rules, regulations, and internal policies and procedures. Specifically, the Commission:

- Accurately processed and completed all eight payroll transactions tested, which totaled \$8,087,942.
- Had adequate supporting documentation for all eight payroll transactions tested.
- Ensured that those transactions were released in the Uniform Statewide Payroll/Personnel System (USPS) by someone other than the preparer.

In addition, the Commission had controls in place to help ensure that it accurately processed payroll changes in accordance with applicable rules and regulations and internal policies and procedures. Specifically, the Commission:

- Accurately processed and completed all 25 payroll changes tested.
- Ensured that all 25 payroll changes tested were based on appropriately approved Personnel Action Forms and entered into USPS within the time frames required by Commission policy.

⁵ Chapter 2-D is rated Low because the audit identified strengths that support the audited entities' ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entities' ability to effectively administer the program(s)/function(s) audited.

The Commission Had Adequate Controls to Ensure the Reliability of Its Financial Data; However, It Should Strengthen Controls Over User Access to Its Information Technology Systems

Chapter 3
Rating:
Low⁶

The Commission had controls and processes to ensure the reliability of its financial data. However, the Commission did not consistently perform user access reviews and it did not consistently restrict access to its data in the Centralized Accounting and Payroll/Personnel System (CAPPS) and the Uniform Statewide Payroll/Personnel System (USPS) (see text box for more information about the Commission's information systems).

Policies and Procedures. The Commission's documented policies and procedures generally aligned with the requirements in Title 1, Texas Administrative Code, Chapter 202. The policies addressed user access, change management, disaster recovery, physical controls, and the backup and recovery of data.

User Access. The Commission adequately restricted user access to its network and the Uniform Statewide Accounting System (USAS). However, the Commission had not performed reviews of user access to its information systems and it did not appropriately restrict access to its data in CAPPS and USPS. Specifically:

- Three (4 percent) of 74 active CAPPS accounts tested were assigned to former employees. Two of those three accounts had read-only access.
- Four (21 percent) of 19 active USPS accounts tested had access that the Commission determined did not match the employees' job responsibilities. Two of those employees had access that was unnecessary, and two other employees were not given the access levels requested by the human resources supervisor.

Commission Information Systems

Auditors tested certain general controls over the following key information technology systems that the Commission used to manage and report financial data:

- Centralized Accounting and Payroll/Personnel System (CAPPS), which the Commission used to record financial transactions.
- Uniform Statewide Accounting System (USAS), which the Commission used to process its revenues and expenditures and prepare its annual financial report.
- Uniform Statewide Payroll/Personnel System (USPS), which the Commission used to process its monthly and special payrolls.

⁶ Chapter 3 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Not performing periodic access reviews and not consistently managing user access increases the risk of unauthorized access to the Commission's critical information.

Recommendations

The Commission should:

- Remove access when employees separate from the Commission.
- Periodically review and update user access, and remove unauthorized users' access to automated systems and applications as needed.

Management's Response

Responsible for Implementation: Chief Financial Officer – implemented

Management agrees with the recommendations. The HR Department will provide monthly separation reports to the Security Coordinator for review and removal of access. The Security Coordinate will perform a review of user access semi-annually and annually to ensure accuracy of user's security access.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Veterans Commission has processes and related controls to help ensure that it administers financial transactions in accordance with applicable statutes, rules, and Commission policies and procedures.

Scope

The scope of this audit covered the Commission's activities related to revenue, payroll actions, non-travel expenditures, travel expenditures, and related information systems for fiscal year 2017 (September 1, 2016, through August 31, 2017) and the first five months of fiscal year 2018 (September 1, 2017, through January 31, 2018).

Methodology

The audit methodology included collecting information and documentation; interviewing Commission staff regarding financial and operational processes; testing documentation related to revenue, payroll, non-travel expenditures, travel expenditures, contracts, grants, and information technology; and analyzing and evaluating the results of audit tests.

Data Reliability and Completeness

To determine the reliability of non-travel expenditure information in the Uniform Statewide Accounting System (USAS), payroll data in the Uniform Statewide Payroll/Personnel System (USPS), and travel expenditure data in the Centralized Accounting and Payroll/Personnel System (CAPPS), auditors reviewed the data for validity and completeness by (1) observing data queries, (2) performing a review of data fields and their contents for appropriateness, (3) comparing USAS and CAPPS data to information in the Commission's annual financial report, and (4) comparing data to the Commission's contract data listings. In addition, auditors relied on previous State Auditor's Office audit work on USAS and USPS. Auditors tested selected general controls for USAS, USPS, and CAPPS.

Auditors determined that the Commission's revenue, expenditure, and payroll data discussed above was sufficiently reliable for the purposes of this audit.

Auditors relied upon a manually prepared list of non-grant contracts and grants compiled by the Commission. To determine the reliability of that information, auditors (1) obtained the spreadsheets, (2) performed a review of the data fields and contents for appropriateness, (3) compared the list against the information on the Commission's Web site and the Legislative Budget Board's Web site, and (4) reviewed the Commission's user access to the network drive on which the spreadsheets were stored. Auditors determined the information was not sufficiently reliable. However, that information was the most complete population available; therefore, auditors used it for the purposes of this audit.

Sampling Methodology

Auditors selected nonstatistical samples of transactions for testing related to payroll and non-payroll expenditures and grant payments primarily through random selection. In some cases, auditors selected additional items for testing based on risk. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Auditors selected a risk-based sample of transactions related to non-grant contract payments and revenue for testing. The sample items were generally not representative of the population; therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- Commission policies, procedures, and guidelines.
- Commission expenditure and revenue data from USAS and CAPPs.
- Drawdown funding requests and supporting documentation.
- Invoices, travel vouchers, purchase requisitions, and supporting documentation for expenditures.
- List of Commission employees and employee payroll data from USPS.
- Employee payroll actions.
- User access data and supporting documentation related to the general controls over the Commission's financial process systems.

Procedures and tests conducted included the following:

- Interviewed Commission staff to identify the Commission's financial and operational processes, including financial and administrative internal controls and the information systems that support those processes.
- Tested a sample of Commission revenues, employee payroll actions, and expenditures to determine compliance with the Commission's policies and procedures and state laws and regulations.
- Analyzed contract and grant transactions to determine whether payments were appropriate.
- Reviewed supporting documentation related to the general controls over the Commission's financial process systems.

Criteria used included the following:

- Commission policies and procedures.
- Texas Government Code, Chapters 322, 434, 2261, and 2306.
- Title 1, Texas Administrative Code, Chapter 202.
- Title 40, Texas Administrative Code, Chapters 452, 453, 455, and 459-461.
- Office of the Comptroller of Public Accounts' travel policies and procedures and payroll policies and procedures.
- Senate Bill 20 (84th Legislature, Regular Session).

Project Information

Audit fieldwork was conducted from December 2017 through April 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

- Benjamin Nathaniel Keyfitz, CPA, CFE (Project Manager)
- Jamie Kelly, MBA (Assistant Project Manager)
- Morgan Burandt, CPA
- Michael Gieringer, CFE
- Armando S. Sanchez, MBA
- Brenda Zamarripa, CGAP
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- James Timberlake, CIA, CFE (Audit Manager)

Issue Rating Classifications and Descriptions

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

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

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

Table 2

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

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

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

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Veterans Commission

Members of the Veteran's Commission

Mr. Eliseo "Al" Cantu Jr, Commission Chairman

The Reverend Richard McLeon IV, Commission Vice Chairman

Mr. Jake Ellzey, Commission Secretary

Mr. Kevin Barber

Mr. Daniel Moran

Mr. Thomas P. Palladino, Executive Director



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