



An Audit Report on

The Board of Architectural Examiners: A Self-directed, Semi-independent Agency

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The Board of Architectural Examiners' (Board) fiscal year 2022 annual financial report balances for revenues, expenditures, and changes in fund balances were supported by information in the Uniform Statewide Accounting System (USAS). However, the Board should strengthen processes and controls over financial reporting to ensure that misstatements do not occur.

In addition, the Board had adequate processes for reporting performance measures and for setting fee and penalty rates.

- [Background](#) | p. 3
- [Audit Objectives](#) | p. 8

This audit was conducted in accordance with Texas Government Code, Section 472.103.

MEDIUM

FINANCIAL REPORTING AND INFORMATION TECHNOLOGY

The Board should strengthen processes and controls for financial reporting and certain information technology systems.

[Chapter 1 | p. 4](#)

LOW

REQUIRED REPORTING, PERFORMANCE MEASURES, AND FEES AND PENALTIES

The Board had adequate processes and controls to accurately report the performance measure results. Additionally, the Board had a process for setting licensing fees to ensure adequate revenues.

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For more information about this audit, contact Audit Manager Becky Beachy or State Auditor Lisa Collier at 512-936-9500.

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Summary of Management Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of Chapter 1 in this report. The Board agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: 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(s) and reduce risks to the audited entity.

HIGH: 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(s) and reduce risks to the audited entity.

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

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(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.

For more on methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

Background Information

The Board of Architectural Examiners (Board) regulates the practice of architecture, landscape architecture, and interior design. The Board has a staff of 19 full-time equivalent positions and operates with a fiscal year 2022 budget of \$3.3 million. Staff is divided into three broad functional units: Registration, Enforcement, and Administration. Each division is responsible for executing particular operational aspects of the Board's statutory charge and mission.

The Board operates under the self-directed, semi-independent (SDSI) program established by the 77th Texas Legislature. The Board's participation in the SDSI program removes the agency from the appropriations process, ensures accountability to stakeholders, and requires the agency to operate as a business. SDSI agencies must adopt their own budgets and establish registration fees to cover all operational costs. Additionally, each agency submits an annual payment to the general revenue fund.



MEDIUM

Chapter 1 Financial Reporting and Information Technology

The Board should strengthen processes and controls over financial reporting.

The Board of Architectural Examiners' (Board) fiscal year 2022 annual financial report balances for revenues, expenditures, and changes in fund balances were supported by information in the Uniform Statewide Accounting System (USAS). However, the revenue information was misstated by \$40,926 due to an oversight in accounting for certain transfers.

The Board used four different systems to track its financial information: USAS, Centralized Accounting and Payroll/Personnel System (CAPPS), Texas Treasury Safekeeping Trust Company (TTSTC), and the Board's Licensing and Enforcement System (TBAsE). Each system tracks different financial information, and not all financial information is in any one system. As a result, transactions that occurred at the end of the accounting period were not captured in the annual financial report.

The Board performed reconciliations of its registration system (TBAsE) to TTSTC; however, it did not reconcile all four sets of financial information to each other. Because the four systems record transactions differently and there was no single general ledger control account, the Board could not identify outstanding items. By not having its financial information all in one place or processes to reconcile all information, the Board is at risk of misstated financial reports, incorrect information on the self-directed, semi-independent (SDSI) annual report, inaccurate budget analysis, or incorrect determination of fee and penalty rates.

The Board should strengthen processes and controls over certain information technology systems.

The Board had ensured that all users of the information systems used for financial reporting, including CAPPs, USAS, and TBAsE, were current employees. However, certain user assignments were inappropriate. These assignments did not properly restrict access to the databases based on user needs.

Recommendations

The Board should:

- Implement a means to reconcile all the financial information, such as a general ledger or other process, to ensure that all financial activity is accounted for properly.
- Implement a process to ensure that user access to information systems is based on duties performed.

Management's Response

Financial Reporting Recommendation: Management agrees with the recommendation. On May 19, 2023, the Executive Director implemented a means to reconcile all four sets of financial information to each other.

Information Technology Systems Recommendation: Management agrees with the recommendation. On May 17, 2023, the Executive Director implemented a process to ensure that user access to information systems is based on duties performed.

LOW

Chapter 2 Required Reporting, Performance Measures, and Fees and Penalties

The Board reported financial and performance information as required.

The Board submitted its fiscal year 2022 financial and performance measure reports to the appropriate parties as required by Texas Government Code, Section 472.104. The Board is required to submit certain financial and performance information annually, by November 1, and other information biennially, by the first day of the regular session of the Legislature. The Board combined the required reporting elements for its biennial report into the annual report and submitted the information to the appropriate parties.

The Board had adequate processes for reporting accurate performance measures.

The Board had adequate processes and controls to accurately report the performance measure results included in their annual report. (See text box for information about the selected performance measures.)

Number of Registrants. For fiscal year 2022, the Board reported 22,553 individual registrants and 3,630 business registrants.

Penalties Assessed and Collected. For fiscal year 2022 the Board reported \$130,200 in penalties assessed and \$63,850 in penalties collected, for a collection rate of 49 percent.

Reserve Fund Balances. The trend for the Reserve Fund Balance was reported accurately.

Selected Performance Measures

- **Number of Registrants** – The number of registered architects, landscape architects, registered interior designers, and businesses, categorized by active, inactive, and retired status.
- **Penalties Assessed and Collected** – The amount of all administrative penalties assessed and the rate of penalty collection during the reporting period.
- **Reserve Fund Balances** – Trend Reserve Fund Balance for the preceding five fiscal years.

Sources: *Agency Strategic Plan, Fiscal Years 2021 to 2025* and Texas Government Code, Section 472.104(b)(5)(m).

The Board had an adequate process for setting fee and penalty rates.

The Board had a process for setting licensing fees to ensure adequate revenues. The Board's budget process allowed it to determine whether changes were necessary and to make fee recommendations to the governing board. In addition, it had documented policies and procedures to establish its budgets, and its governing board approved those budgets for fiscal year 2022. The Board also transferred the \$510,000 annual payment required by Texas Government Code, Section 472.102(c), to maintain its status as an SDSI agency (see the [Background Information](#) section for more information on the SDSI program).

Penalties are determined by the results of the complaint investigation. Certain penalties, such as those for continuing education violations, are established by policy. Other penalties are determined based on the significance of the case presented to the investigators, are agreed to by all parties to the case, and are verified by the governing board.

The Board appropriately collected and transferred administrative penalties to the Office of the Comptroller of Public Accounts as required by Texas Government Code, Chapter 472. (See text box.) For fiscal year 2022, the Board assessed \$130,200 in administrative penalties and collected \$63,850. Of the \$63,850 in penalties collected, the Board transferred \$59,560 into the general revenue fund, leaving a balance of \$4,290 due to the State.¹

Required Payments to the State of Texas

472.102(c) – ...The Texas Board of Architectural Examiners shall annually remit \$510,000 to the general revenue fund.

472.110(d) – An agency shall remit all administrative penalties collected by the agency to the comptroller for deposit in the general revenue fund.

Source: Texas Government Code, Title 4, Chapter 472.

¹ This balance was the amount received in August 2022. The Board had previously transferred all balances to general revenue as required by Texas Government Code, Section 472.110. Therefore, this balance is a reasonable result due to timing.



Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

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

Scope

The scope of this performance audit included a review of financial and performance data, applicable processes, and other supporting documentation for the period from September 1, 2021, through August 31, 2022. The work included a review of the automated systems that support those processes.

The scope also included a review of significant internal control components related to the Board's revenue collection, penalties assessed and collected, and accuracy and completeness of related data.

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



- Jules Hunter, CPA, CIA (Project Manager)
- Pamela A. Bradley, CPA, CFE (Assistant Project Manager)
- Charlotte Carpenter, CPA
- Lance Cofield
- Sarah Puerto, CIA, CFE (Quality Control Reviewer)
- Becky Beachy, CIA, CGAP (Audit Manager)

Methodology

We conducted this performance audit from January 2023 through May 2023 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. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Board management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Board management and staff to gain an understanding of financial and performance data; fee and penalty assessments; and required reports.
- Identified the relevant criteria:
 - Board policies and procedures.
 - Texas Government Code, Chapter 472.
 - Texas Occupations Code, Chapters 1051, 1052, and 1053.
 - Texas Administrative Code, Title 22, Part 1, and Title 1, Part 10, Chapter 202.
- Compared and traced the information in the annual financial report and the financial information included in the self-directed, semi-independent (SDSI) annual report to the Board's underlying books and records.
- Reviewed supporting documentation related to the general controls and application controls over the Board's network, the Uniform Statewide Accounting System (USAS), the Centralized Accounting and Payroll/Personnel System (CAPPS), and the Board's Licensing and Enforcement System (TBAsE).

- Tested whether the Board submitted the required information in the annual report for SDSI agencies to the Office of the Governor and the Legislature, and whether the report included the required information.
- Analyzed and tested the Board's compliance with its fund balance policy to determine whether the fund balance was reported accurately.
- For the selected performance measures, Number of Registrants and the Penalties Assessed and Collected, reviewed the queries and re-calculated the data to determine whether the information reported was accurate.
- Evaluated the Board's processes for setting licensing fee and penalty rates by reviewing the Board's policies and procedures, Board meeting minutes, and the Board's annual budget.
- Analyzed license fees collected to determine whether the Board recorded the revenues in accordance with its established fee schedule.
- Tested a non-random sample of the 6 largest administrative penalties out of 42 administrative penalties assessed in fiscal year 2022 for compliance with policy, approval by the governing board, collection, and transfer to the State as required. The sample items were selected to obtain coverage and were not representative of the population; therefore, it would not be appropriate to project the test results to the population.

Data Reliability and Completeness

Auditors determined that all data sets were sufficiently reliable and complete for purposes of this audit by (1) observing the Board staff extract requested data populations, (2) reviewing data queries and report parameters, (3) analyzing the populations, and (4) testing selected general controls over the information systems. The following fiscal year data sets were used:

- **USAS.** Revenues, expenditures, and cash in treasury.
- **CAPPS.** Expenditures.
- **TBAse.** Individual and business registrant data, including licensing fees paid and refunded; administrative enforcement penalties; and enforcement case notes.

Report Ratings

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.



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The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Board of Architectural Examiners

Members of the Board of Architectural Examiners

Ms. Julie Hildebrand, Executive Director



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