



An Audit Report on

The School for the Blind and Visually Impaired

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State Auditor

The School for the Blind and Visually Impaired (School) had processes and related controls to help ensure that it administered payroll transactions, assets, and select provisions in the memoranda of understanding (MOU) with two higher education institutions in accordance with applicable requirements. However, the School should (1) improve its manual payroll processes to ensure that payments are accurate and (2) increase compliance with its policies and procedures related to timesheet entry and approval.

- [Background](#) | p. 4
- [Audit Objective](#) | p. 15

This audit was conducted in accordance with Texas Government Code, Sections 321.013 and 321.0132.

MEDIUM

PAYROLL

Overall, the School effectively and accurately administered payroll; however, it should strengthen certain processes and controls, including its manual payroll.

[Chapter 1 | p. 8](#)

LOW

ASSET MANAGEMENT

The School secured and disposed of assets in accordance with applicable requirements.

[Chapter 2 | p. 13](#)

LOW

SELECT MOU REQUIREMENTS

The School had adequate processes in place to ensure compliance with select MOU requirements.

[Chapter 3 | p. 14](#)

Note on Confidential Findings

To minimize security risks, auditors communicated in a separate report to the School details about certain processes and control weaknesses, including user and physical access, that could put student confidential information at risk.

HIGH

Those findings were rated High because the issues could substantially affect the School's information security function. Prompt action is needed to address the noted concerns and reduce risks to a more desirable level.

Auditors made recommendations in the confidential report to address the findings. The School agreed with the recommendations.

That separate report references confidential information. Pursuant to Standard 9.61 of the U.S. Government Accountability Office's *Government Auditing Standards*, certain information was omitted from this report because that information was deemed to present potential risks related to public safety, security, or the disclosure of private or confidential data. Under the provisions of Texas Government Code, Section 552.139, the omitted information is also exempt from the requirements of the Texas Public Information Act.

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of Chapter 1 in this report. The School 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 the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

Background Information

The School for the Blind and Visually Impaired (School), created in 1856, works in partnership with schools, families, communities, and organizations to provide educational services for blind, visually impaired, or deafblind students from birth to age 22. In the 2021–2022 school year, 667 students were enrolled in the School’s programs, which include comprehensive K-12 curricula and post-secondary education. The School provides year-round programming, and many students reside on campus.

During the scope of the audit (September 1, 2021, through May 31, 2023), the School had expenditures totaling approximately \$64 million. Most of those expenditures were related to salaries and other payroll costs (see Figure 1).

Figure 1

The School’s Expenditures September 1, 2021, through May 31, 2023

Description	Amount Expended
Salaries and Wages	\$40,762,443 ^a
Payroll-related Costs	\$11,953,250
Materials and Supplies	\$2,977,925
Other Expenditures ^b	\$8,317,119
Total Expenditures	\$64,010,737

^a The “Salaries and Wages” total was obtained from the Standardized Payroll/Personnel Reporting System (SPRS); the other totals provided were obtained from the Uniform Statewide Accounting System (USAS).

^b The “Other Expenditures” category includes all other line items that were less than \$2 million, such as federal pass-through, repairs and maintenance, communication and utilities, capital outlay, and travel.

Sources: SPRS and USAS.

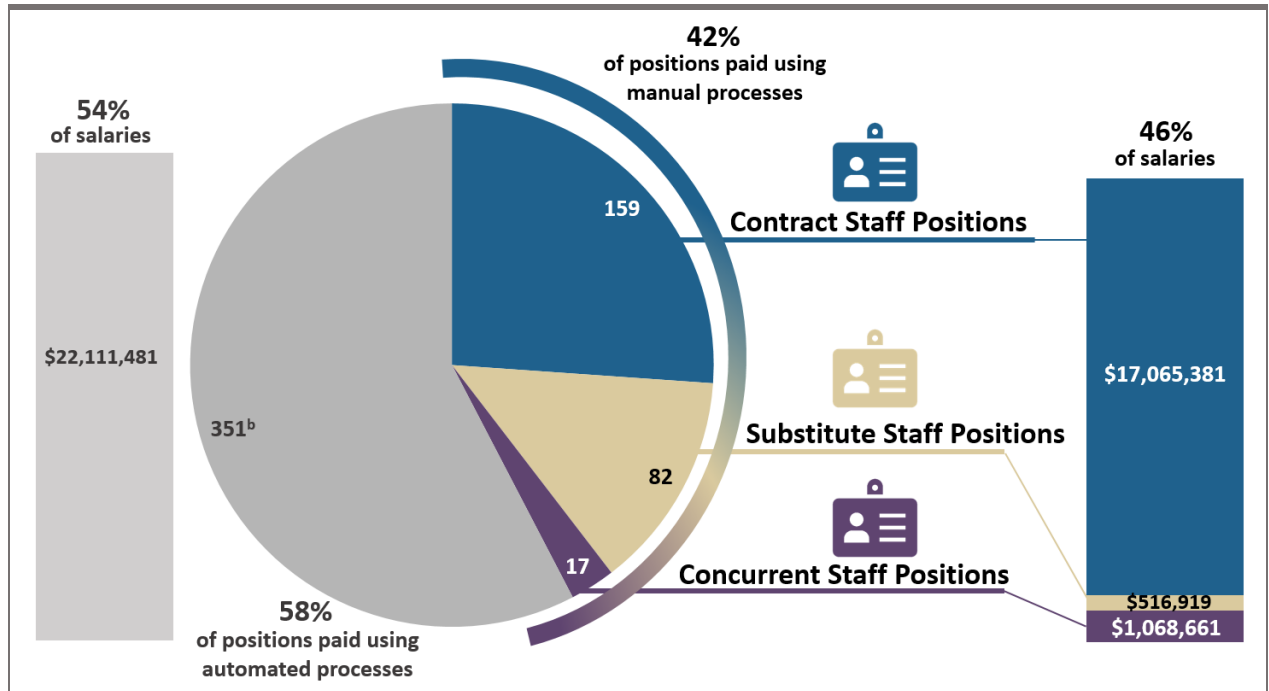


Payroll. The School’s payroll processes were mostly automated, driven by a workflow defined in the Centralized Accounting and Payroll/Personnel System (CAPPS). More than half (58 percent) of the 609¹ employee positions included in the audit scope were paid through that automated workflow in CAPPS. However, manual processes were used for certain payroll transactions for staff in contract, substitute, and concurrent positions, which comprised the remaining 42 percent of positions (see Figure 2 on the next page).

¹ The 609 positions were filled by a total of 564 employees, as some employees changed positions during the audit scope.

Figure 2

Employee Types and Salaries^a for all Positions Held



^a Total for salaries differs slightly from total shown in Figure 1 due to rounding.

^b The positions paid through automated processes in CAPPs included administrative assistants, accountants, inventory and store specialists, interpreters, security officers, cooks, and the superintendent.

Source: SPRS.



Contract Employees. Teachers, principals, assistant principals, and some directors. Unlike contract workers at other state agencies, these staff members were employed under the contract-based employment model used in school districts. They were considered regular employees, and their contracts were renewed annually. The pay rates were the same as those of the Austin Independent School District (AISD) for employees in similar roles. Contract employees had set schedules in CAPPs, based on the AISD calendar, and entered leave time or other deviations from the schedules in CAPPs as needed.



Substitute Employees. Considered unclassified employees by the School; paid only for hours worked and did not receive leave pay. Substitute employees did not have set schedules and had to manually enter in CAPPs any time worked.

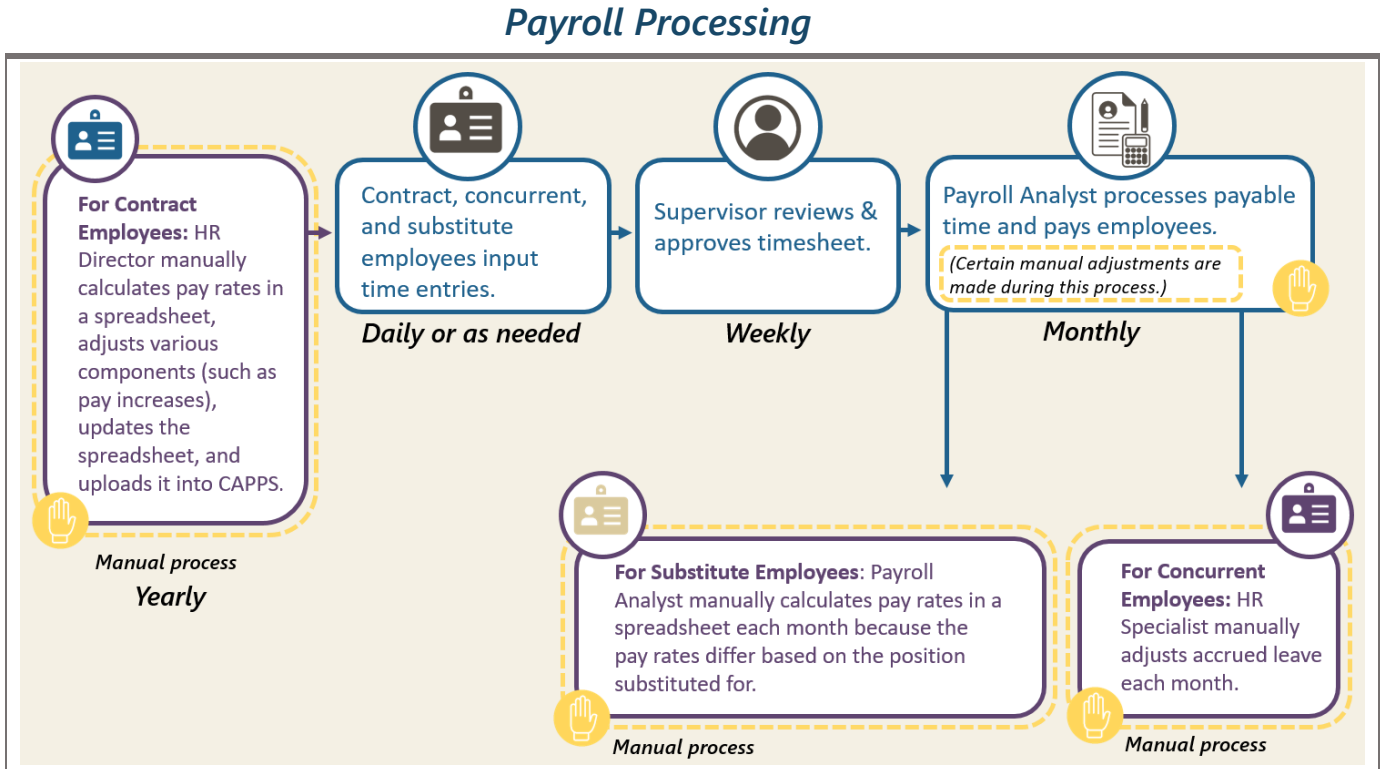


Concurrent Employees. Full-time staff who worked two part-time jobs at the School (for example, an individual employee might divide time between Library Assistant and Administrative Assistant roles). Each concurrent staff member was assigned one employee ID but had two different pay rates and job titles. Concurrent employees had set schedules in CAPPs, and entered leave time or other deviations from the schedules in CAPPs as needed.

Source: The School.

For example, for substitute employees, these manual processes or adjustments required the pay rate information to either be individually updated or entered into a pre-formatted Excel spreadsheet and then batch-loaded into CAPPs (see Figure 3).

Figure 3



Note: The School’s primary payroll procedures (such as inputting time entries, entering revisions and approvals, and issuing payments) are performed in CAPPs. Certain manual processes (outlined in yellow in the figure) are required for the contract, substitute, and concurrent employees; those calculations are performed outside of CAPPs.

Source: The School.



Asset Management. During the audit scope, the School acquired 536 assets and listed 41 assets as disposed. Most of the assets either acquired or disposed of were electronic devices, such as laptop and desktop computers, printers, and routers.



Memorandum of Understanding (MOU). The General Appropriations Act (87th Legislature) allocated funding to the School for teacher training agreements with two state universities. Under Rider 3, the School was appropriated a total of \$1.4 million to support professional preparation for teachers of students with visual impairments. Using \$1.2 million of these funds, the School renewed existing one-year MOU agreements with Stephen F. Austin State University and Texas Tech University, with

each university receiving \$602,000 toward training and certification programs for teachers of students with visual impairment and/or orientation and mobility specialists. According to the School, the remaining \$200,000 was used for administrative expenses, such as salaries related to overseeing the MOU. Stephen F. Austin State University administers the Visual Impairment Preparation Program and Texas Tech University operates the Reach Across Texas Program. To help ensure that funds would be used as expected, the MOU agreements required that the universities provide financial and performance deliverables to the School, including budgets indicating how the universities planned to spend the grant money.



MEDIUM

Chapter 1 Payroll



The School for the Blind and Visually Impaired (School) processed payroll transactions totaling approximately \$40.7 million for its 564 staff from September 1, 2021, through May 31, 2023. Most of these transactions were completed accurately and in accordance with applicable requirements, including payments for the 258 employee positions that required the use of manual processes for payroll.² (See the Background Information section for [definitions of contract, substitute, and concurrent employees.](#))

Overall, the School effectively and accurately administered payroll. However, it should increase compliance with timesheet policies.

The School's timesheet procedure document, *A.2.2.4 Accounting for Hours Worked and Leave Taken*, appropriately promoted proper segregation of duties. Employees must ensure their timesheets in the Centralized Accounting and Payroll/Personnel System (CAPPS) reflect their hours worked or leave taken, making adjustments as needed, and supervisors must provide approvals weekly. However, the School did not always comply with that procedure. Specifically:

- A supervisor—instead of the employee—made timesheet entries in the time system for 2 (10 percent) out of 20 contract employee positions (4 entries); 5 (50 percent) out of 10 substitute positions (20 entries); and 1 (20 percent) out of 5 concurrent positions tested (2 entries).

² The 258 contract, substitute, and concurrent staff positions were filled by a total of 247 employees, as some employees held more than one position during the audit scope.

- A staff member other than the employee’s direct supervisor, such as a Time Administrator or the Human Resources Specialist, approved timesheet entries for 3 (15 percent) out of 20 contract employee positions (5 approvals) and 1 (20 percent) out of 5 concurrent positions tested (2 approvals).
- All time entries for days worked were appropriately approved for the 10 substitute positions tested.

According to the School’s Payroll Analyst, the School’s Human Resources Specialist can make limited corrections and the supervisor can enter time into CAPPs for an employee who is on continuous leave, such as under the Federal Medical Leave Act. However, for the instances tested, the employees should have made their own entries and their supervisors should have entered the approvals.

Additional data analysis was performed on all unapproved timesheets listed on a School-generated “Needs Approval” report³ dated May 17, 2023. The report indicated that 13 daily timesheet entries had been awaiting supervisor approval from 16 to 71 days; the delays in approval resulted in overpayments totaling \$383 and underpayments totaling \$113. For comparison, the Needs Approval report dated June 22, 2023, indicated that 2 of those timesheet entries had been awaiting approval for 65 to 83 days.

Weekly supervisory review and approval of timesheets is an important part of the School’s payroll process; it helps ensure that employees are paid accurately and timely in accordance with state law.

³ The School generates the “Needs Approval” report daily, weekly, or as needed to identify all unapproved timesheets.

The School should strengthen certain processes and controls for manual payroll.

Overall the School accurately administered payroll for the 258 positions that required some form of manual payroll processing. (See the text box for descriptions of the manual processes.) However, it should strengthen certain manual processes and controls to help prevent payroll errors for substitute and contract employees.



Substitute Employees. Two (20 percent) out of 10 substitute employee positions tested were underpaid a total of \$93 because the rate table was not updated (see text box for details) after management increased substitute pay rates. Additionally, while the School uses a checklist to help ensure accuracy in the substitute payroll process, it inappropriately issued a duplicate daily payment of \$221 to an employee due to human error. The Payroll Analyst sent a letter to the former employee requesting repayment and asserted that the former employee sent the School a check for that amount.



Contract Employees. Two (10 percent) of the 20 employee positions tested were underpaid a total of \$454 because the Employees Retirement System pay rate component was not updated in the spreadsheet used by the Human Resources Director to calculate the pay rates (see text box for details). Additionally, the spreadsheet's revisions and calculations did not receive a secondary review. Although the School had identified the error and made corrections to the spreadsheet, an independent review may help minimize the risk of errors in the future.



Concurrent Employees. All five concurrent employee positions tested were accurately paid in accordance with applicable requirements.

Manual Payroll Processes

Substitute employees. Pay rates for substitutes are set by the Human Resource Director and the Chief Financial Officer and approved by the Superintendent, as required by School policy. Payroll for substitute employees requires manual adjustments due to the nature of the role: substitutes are paid different rates depending on the position they substitute for, and CAPPs cannot automatically process payment for them.

Contract employees. The School's contract employees, such as teachers and principals, are paid at the same hourly rates as Austin Independent School District employees in similar roles. These rates are calculated in an Excel spreadsheet and incorporate various components, such as pay increases, years of experience, stipends, and retirement benefits. The spreadsheet is updated at least yearly to reflect the employees' contract rates.

Concurrent employees. Manual adjustments, such as accounting for accrued leave, are necessary for the concurrent employees' payroll because these employees submit two timesheets—one for each of their positions, which may have different pay rates.

Source: The School.

Recommendations

The School should:

- Implement a secondary review process for its manual payroll processes, including those used for substitute and contract employees, to help ensure that payroll is accurate.
- Communicate to employees the importance of complying with the School's payroll procedures for entering, reviewing, and approving timesheet entries.
- Update its payroll procedures to incorporate provisions for instances when supervisors are permitted to enter time on behalf of employees, and inform supervisors of when that practice is appropriate.

Management's Response

We agree to the medium risk findings documented within the payroll category and have developed plans of action.

Secondary Review for Manual Payroll Processes

- **Initial Data Entry:** The first step involves the manual entry of payroll data, including hours worked, leave taken, and any other relevant adjustments.
Responsible Party: Payroll Clerk
Timeline for Implementation: Started with November 2023 Payroll
- **Review:** A thorough check of the initially entered data by a different individual. This review should include verification of hours worked, rates of pay, deductions, and any additional payroll inputs.
Responsible Party: Back-up Payroll Clerk/ Payroll Assist
Timeline for Implementation: Started with November 2023 Payroll
- **Final Authorization:** Before processing payments, a final authorization by the Accounting Director or CFO is essential. This acts as the last checkpoint.
Responsible Party: Accounting Director or CFO
Timeline for Implementation: Started with November 2023 Payroll

- A shared Google Sheet will serve as a signed off document for each of the steps listed above.

Communicate Importance of Payroll Procedures

- Responsibility: Human Resource Specialist (Time and Leave) will continue to communicate this information with new employees at New Employee Orientation, Human Resources will continue to communicate with managers regarding employee identified gaps in payroll procedures, and the Human Resource Director will communicate reminders with all current employees via email.

Timeline for Implementation: December 2023

Payroll Procedure for Supervisor Payroll Entry

- Responsibility: Human Resource Director and the Human Resource Specialist (Time and Leave) will update payroll procedures to include information about when a supervisor can potentially enter time on an employee's behalf.

Timeline for Implementation: February 2024

LOW

Chapter 2 Asset Management

Overall, the School secured and disposed of assets in accordance with requirements.



The School established processes and related controls to properly manage and safeguard assets in accordance with applicable requirements, including those in the Texas Administrative Code and the Texas Government Code. The School used the State Property Accounting System (SPA) as its system of record to help manage and track assets.

Acquired Assets. For 24 (96 percent) of 25 acquired assets tested, the School was able to physically locate the assets and demonstrate that (1) the assets were properly tagged and (2) the corresponding data in SPA was accurate. The one remaining asset was not available for assessment because, according to the School, it was offsite with the asset custodian.

Disposed Assets. For all 10 asset disposals tested, the School had appropriate documentation to support the disposition of the asset, and the corresponding data in SPA was accurate.

LOW

Chapter 3 Select MOU Requirements

The School administers agreements with Stephen F. Austin State University and Texas Tech University based on memoranda of understanding (MOU). (See the Background Information section for [more information on the MOU agreements.](#))

The School had adequate processes in place to ensure compliance with select MOU requirements.



The School had adequate processes in place to ensure that the payments reimbursed to the universities did not exceed the maximum amounts allowed in the MOU during fiscal year 2022 (\$602,000 for each university).

Both universities reported total indirect costs that did not exceed 8 percent of the direct expenditures, as required by the MOU.

In addition, the School has established monitoring processes for select key performance results of the universities.



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the School for the Blind and Visually Impaired (School) has processes and related controls to help ensure that it:

- Administers select financial transactions in accordance with applicable requirements; and
- Securely manages confidential student records and data.

Scope

The scope of this audit included processes and controls in use at the School from September 1, 2021, through May 31, 2023.

The scope also included a review of significant internal control components related to payroll, asset management, memoranda of understanding established with two universities for professional education, and confidential student records and data.

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



- Bianca F. Pineda, CFE, CGAP (Project Manager)
- Sarah Daigle, CIA, CRMA (Assistant Project Manager)
- Bria Freeland
- Joe Kozak, CISA, CPA
- Matthew J. Montgomery, CISA, CFE
- Henry Vander Vennet
- Sarah Puerto, CIA, CFE (Quality Control Reviewer)
- Courtney Ambres-Wade, CIA, CFE, CGAP (Audit Manager)

Methodology

We conducted this performance audit from May 2023 through November 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 the School's management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed the School's management and staff to gain an understanding of processes related to payroll, asset management, memoranda of understanding for professional education, and confidential student records and data.
- Identified the relevant criteria:
 - Texas Education Code, Chapter 30.
 - Texas Government Code, Chapter 403.
 - Texas Administrative Code, Title 1, Chapter 202.
 - Texas Administrative Code, Title 34, Chapter 5, Subchapter O.
 - Memoranda of understanding with Texas Tech University and Stephen F. Austin State University.
 - School policies and procedures.
- Conducted observations of the School's payroll processes.

Random Samples Tested

To determine whether the School complied with applicable state requirements and its own policies for payroll and asset management, auditors tested the following samples obtained for the period from September 1, 2021, through May 31, 2023:

- **Contract employee positions.** Auditors determined whether employees in these positions were accurately paid and input time adjustments as needed, and whether their direct supervisor approved their time.
- **Substitute employee positions.** Auditors determined whether employees in these positions were accurately paid and input their own time worked, and whether their direct supervisor approved their time.
- **Concurrent employee positions.** Auditors determined whether employees in these positions were accurately paid, correctly accrued annual and sick leave, and input time adjustments as needed; and whether their direct supervisor approved their time.
- **Fixed asset acquisitions.** Auditors verified the existence of these assets and determined whether key asset information was accurately entered into the State Property Accounting System (SPA) and the asset was properly tagged.
- **Fixed asset disposals.** Auditors determined whether the disposition was properly supported and the disposition method was accurately entered into SPA.

Figure 4 on the next page provides details on the random samples used in the testing described above.

Figure 4

Random Samples Selected

Description	Population ^a	Sample Size	Representative Determination
Contract Employee Positions	159	20	Representative ^b
Substitute Employee Positions	82	10	Representative ^b
Concurrent Employee Positions	17	5	Representative ^b
Fixed Asset Acquisitions	536	25	Representative ^b
Fixed Asset Disposals	41	10	Representative ^b

^a The populations for the contract, substitute, and concurrent employment types are based on positions held during the audit scope.

^b The random sample methodology was chosen so samples would be representative and could be evaluated in the context of the population. Sample results may be projected to the population, but the accuracy of the projection cannot be measured.

Data Analysis

Auditors performed data analysis to determine whether the School complied with applicable requirements related to time and leave and payroll processing. The following reports were obtained and analyzed:

- Needs Approval Report from CAPPs as of May 2023. Auditors determined whether supervisors timely approved daily time entries.
- Employee Payroll Summary and Termination Reports from the Standardized Payroll/Personnel Reporting System (SPRS) from September 1, 2021, through May 31, 2023. Auditors determined whether employees were timely paid for work performed and not paid after termination from the School.

Data Reliability and Completeness

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- CAPPs Human Resource Report for salaries paid to staff and timesheet as of August 2023.
- SPRS data on payroll payments and terminations from September 1, 2021, through May 31, 2023.
- SPA data on acquired and disposed fixed assets from September 1, 2021, through May 31, 2023.

To determine the reliability of the data sets used, auditors (1) reviewed the parameters used to extract all three of the data sets and also observed the School's extraction of data for the CAPPs data set, and (2) analyzed the data for reasonableness and completeness.

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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