

A Special Report

State Auditor's Briefing Notes For Senate Finance And House Appropriations Committees



Office of the State Auditor
Lawrence F. Alwin, CPA

January 1995

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January 12, 1995

Members, Senate Finance and House Appropriations Committees:

It is the aim of our Office to provide independent and informative audit services in order to improve accountability in state agencies and universities. Our report, *State Auditor's Briefing Notes for Senate Finance and House Appropriations Committees*, provides information and questions from our audit work that may assist in the appropriations process.

The agencies and universities of Texas state government are generally effective at accounting for and managing programs and resources, and we commend them on their efforts. However, our audit work has identified some areas for improvement

We have focused this report on critical issues confronting agencies and universities. We have worked with the Senate Finance and House Appropriations Committees' staff to identify and present relevant information. To that end, we have tried to:

- Organize the information by agency goals and **new** article numbers.
- Provide succinct introductions to each agency along with summaries of our audit work.
- Develop useful questions to explore issues related to budgeting decisions.
- Present brief evidence and support for questions.
- List audit reports released over the past two years for further reference.

For members of the Senate Finance and the House Appropriations Committees during the 74th Legislature, this report identifies areas where agencies and universities can improve management and operations, ultimately resulting in cost savings.

Sincerely,

A handwritten signature in black ink that reads "Lawrence F. Alwin".

Lawrence F. Alwin, CPA
State Auditor

Attorney General, Office of the

The mission of the Office of the Attorney General is to defend the Constitution and laws of the State of Texas; to serve as legal counsel for the Governor, the Legislature, and the boards and agencies of state government; to represent the State in litigation; to enforce state and federal child support laws and regulations; and to perform other administrative duties as required by statute. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$275 million and full-time equivalent employees totaling approximately 3,600.

Section 1:

Child Support Enforcement

What is the current status of the new Child Support Enforcement automated system? What is the total cost of the system? Can management assure the Legislature that the system will be implemented as designed, in a timely manner, at a reasonable cost? What specific actions has management taken to help make sure this happens?

- If the new automated child support data base functions as agency management intends, the long-standing issues of material noncompliance and control weaknesses should be resolved. The agency established a self-imposed target date of late 1993 for new system implementation, which were subsequently revised to February 1995. (Federal regulations require all states to implement new automated child support data bases by October 1995.) Error rates are expected to remain high until after the new system is implemented.

For more information, see SAO Report No. 94-074 and report from Quality Assurance Team.

Section 2:

SAO Reports Affecting Agency

93-007 Performance - Centralizing legal services (October 1992)
93-008 Performance - Child Support Enforcement Program (October 1992)
93-090 Management letter (March 1993)
93-142 Statutory - Review of judgments (July 1993)
93-158 Classification (August 1993)
94-074 Management letter (March 1994)

Comptroller Of Public Accounts. Office of the

The mission of the Office of the Comptroller of Public Accounts is to serve the people of Texas by applying the tax and :6scallaws fairly and consistently and to improve our services through innovative management and technology, carrying out all its duties with integrity, openness, and at the least cost to the taxpayer. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$198 million and full-time equivalent employees totaling approximately 2,800.

A December 1994 audit report concluded that the Office of the Comptroller of Public Accounts has an effective and efficient tax revenue management function, which collected and processed taxes of over \$17 billion in fiscal year 1994. The function educates taxpayers, processes tax payments and returns, audits returns, provides for formal hearings where there are disagreements, collects delinquent accounts, and identifies non-filers.

Section 1: Compliance With Tax Laws

Has management increased the number of revenue auditors to SSO? Why did management not hire additional tax auditors with funds appropriated for that purpose in the past? Why did management let funds appropriated for this purpose remain unexpended for three years?

- Total revenues could be increased by increasing the number of auditors. State auditors estimated that additional tax auditors would bring in over three times the related additional costs, or approximately \$13 million, if the total number of auditors were increased to 550. Funds were appropriated for this purpose in 1992.

For more information, see SAO Report No. 95-030.

Has the study of the redeterminations process been completed? What are management's plans for addressing the findings and recommendations of the study? What are management's plans for improving the way that the section tracks financial information?

- The formal hearings process (redeterminations) needs to be revised to address workload problems. The number of cases in redetermination has increased nearly 200 percent since 1991. The internal study of this issue should be completed. Additionally, the redeterminations data base needs to be revised to report reliable financial information. Our tests indicate that the May 1994 reported amount of \$742 million was over twice the actual figure of \$350 million.

For more information, see SAO Report No. 95-030.

How has management decided to address the State Auditor's recommendation to allow the operations of the non-filer identification function to concentrate solely on non-filer identification?

- The non-filer identification function could be more effective by concentrating only on identifying non-filers. Currently, this section also brings non-filers into compliance. In fiscal year 1994, the program collected \$18.3 million.

For more information, see SAO Report No. 95-030.

Has management changed administrative rules to ensure that collections of overdue taxes are applied to the interest owed before the related tax debt?

- Interest earned by the State could be increased by applying payments to interest owed before applying payments to the tax liability owed. Interest accrues on outstanding taxes, but not on the interest due. The State lost \$381,000 when one taxpayer paid overdue taxes, but not the related interest.

For more information, see SAO Report No. 95-030.

Section 2:

Management Of State Fiscal Affairs

What were the lessons learned by management from the experiences with designing and implementing the Uniform Statewide Accounting System (USAS)? Was a formal "post mortem" conducted to identify the reasons that the system was behind schedule and incomplete when implemented? Can management assure the Legislature that it will be able to avoid these problems with the design and implementation of other automated systems?

- The actual implementation of USAS was two years behind the September 1, 1991, date set in fall 1988. At the time of implementation, the system was not complete. Features that were not scheduled to be implemented until after September 1993 included: procedures and processes required to close the accounting records at fiscal year-end, cost allocation that provides the ability to distribute indirect costs, bond tracking system, budget preparation tool, grant billing, project billing, and automated recurring transactions.

For more information, see SAO Report No. 93-038 and report from Quality Assurance Team.

What measures has management taken to ensure the highest level of security over its automated tax systems?

- Insufficient controls existed to prevent unauthorized changes to the Texas Payee Information System. The weakness existed because the Comptroller did not monitor file-change validity, which could affect all warrant vouchers processed. As a result, agency employees could divert money to themselves by changing addresses in the System as well as vendor names. Any portion of the \$27 billion paid annually by the Comptroller could be affected.

For more information, see SAO Report No. 93-097.

- The Comptroller's Office does not consistently remove or change computer access password after an employee terminates employment or transfers to a different job responsibility. Failure to change computer access passwords resulted in at least three instances of computer access using passwords of terminated employees. Comptroller's automated systems accounted for \$17.0 billion of revenues in fiscal year 1993.

For more information, see SAO Report No. 94-088.

Does management have a process to review, revise, and modernize the State's accounting policies to reflect changes in the environment?

- State disbursement policies and statutes, which require drawdown of federal funds 14 days before the payroll date, are incompatible with federal cash management policy. This conflict causes state agencies paying salaries from federal programs to be out of compliance with federal cash management requirements.

For more information, see SAO Report No. 93-097.

Is management now able to provide reliable information about the financial condition of the General Revenue Fund at any time during the fiscal year?

- No centralized recording of all General Revenue Fund condition and results exists for the State. Thus, the financial condition of the fund is not known without extensive accounting work. During the year, the Fund handled \$18.3 billion in revenues and \$18.7 billion in expenses and transfers.

For more information, see SAO Report No. 93-097.

- USAS should provide current, comprehensive General Fund financial information. However, the accuracy and completeness of USAS data is not sufficient to allow the system to serve as the basis for consolidating the State's 1994 Annual Financial Report. Our auditors are initiating a review of USAS's data integrity.

For more information, see SAO Report No. 94-088.

Section 3:

SAO Reports Affecting Agency

- 93-003 Follow-up (September 1992)
- 93-015 Statutory - Revenue management process (November 1992)
- 93-097 Management letter (March 1993)
- 94-088 Management letter (March 1994)

Employees Retirement System

The Employees Retirement System was created in 1947 by an amendment to the Texas Constitution. The mission of the Employees Retirement System of Texas is to protect the economic well-being of members, retirees and their beneficiaries through efficient and effective management of benefit programs and assets based on sound actuarial principles. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$836 million, expenses of \$491 million for pension trust funds, and full-time equivalent employees totaling approximately 300.

Section 1: ERS Retirement Programs

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments?

- More than 92 percent of the derivative investments, or about \$6 billion, are in the State's largest portfolios. The level of investment in derivatives appears to be reasonable in the context of the total portfolios at these entities. The total book value of Employees Retirement System's investment portfolio was \$9.4 billion at July 31, 1994. Derivative investments accounted for \$649 million, or 6 percent, of the total portfolio.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

What controls are in place to ensure the accuracy of reimbursements to the General Revenue Fund for retirement contributions paid from other sources?

- We found weaknesses for retirement contributions and working retirees' benefits at the State's two largest retirement systems. The State was relying exclusively on the accuracy of information furnished by employers to ensure that the proper amount of retirement contributions are paid from appropriate funds. Employer controls over the proper funding of retirement contributions were weak or nonexistent overall in the sample our auditors reviewed.

There were numerous errors in the employment reports of the entities sampled. However, few of these errors resulted in overpayments. Because TRS and ERS rely exclusively on employer procedures and controls to ensure that employment information is complete and accurate, undetected errors

could result in significant overpayments.

For more information, see SAO Report No. 93-042.

Section 2: Financial Reporting

What caused the agency to submit incorrect information to its actuary? Can the agency assure the Legislature that subsequent information has been correct?

- Our auditors found that incorrect member information was sent to the actuary, resulting in a \$123 million overstatement of combined pension liability for all plans. Correction of this error required revisions to the original actuarial report.

For more information, see SAO Report No. 94-108.

Section 3: SAO Reports Affecting Agency

93-042 Performance - Retirement benefit controls (February 1993)
93-105 Opinion (March 1993)
94-108 Management letter (April 1994)
94-110 Opinion (April 1994)

General Services Commission

The General Services Commission was created as such in 1991 by renaming the State Purchasing and General Services Commission. (State Purchasing was created in 1979 to replace the State Board of Control, first established in 1919.) The mission of the General Services Commission is to provide its customers, in a fair and equitable manner, an effective central source for the timely delivery of goods, services, and facilities of the appropriate quality at the best price. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$128.3 million and full-time equivalent employees totaling approximately 860.

A March 1994 audit report concluded that the General Services Commission had made progress since inheriting the Donation of Federal Surplus Property Program, which received \$25.5 million of non-monetary assistance, from the Texas Surplus Property Agency. However, material weaknesses and noncompliance continued to exist in the areas of inventory controls, eligibility determination, and subrecipient monitoring at the end of fiscal year 1993.

Section 1:

SURplus Property Program

At this point, can management assure the Legislature that the Donation of Federal Surplus Property Program:

1. Is substantially in compliance with federal requirements?
2. Has adequate controls to protect inventory against loss or abuse?
3. Provided assistance only to local entities which were, in fact, eligible to receive it and that the local entities used the assistance appropriately?

How is management working to make these things happen? When will the program satisfy these expectations?

- Although the General Services Commission has made progress since inheriting this program from the Texas Surplus Property Agency, at the end of May 1993 material weaknesses and noncompliance continued to exist at fiscal year end (August 31, 1993) in the areas of inventory controls, eligibility determination, and subrecipient monitoring.

For more information, see SAO Report No. 94-076.

Section 2:

Miscellaneous Questions

What are the current statistics on utilization of space among state agencies? Which agencies have substantially higher usage than Commission standards recommend?

Section 3:

SAO Reports Affecting Agency

- ' 93-033 Performance - Prison construction (January 1993)
- ' 94-076 Management letter (March 1994)

Pension Review Board

The State Pension Review Board was created in 1979 to review public retirement systems in Texas in order to ensure financial soundness, equitable benefits, and proper management. The mission of the Pension Review Board is to provide the necessary information and recommendations to ensure that public retirement systems are financially sound, benefits are equitable, the systems are properly managed and tax expenditures for employee benefits are kept to a minimum. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$286,000 and full-time equivalent employees totaling approximately 5.

Section 1:

Sound Retirement Systems

What actions has management taken to address the State Auditor's finding that the agency did not have an effective process for identifying all public retirement systems which are required to register? What were the options which management considered to ensure that improvements were made within existing resources? Can management assure the Legislature that proposed actions will in fact identify all public retirement systems required to register?

- The Pension Review Board does not have an effective process for identifying all public retirement systems which are required to register with it. The Board currently tracks 292 active systems, but it is probable that there are additional public retirement systems in Texas that are not registered. For example, in 1993, as a result of an inquiry from a plan administrator, the Board discovered and registered 62 appraisal district retirement systems. All but six of these systems were created before 1990 (21 were created in 1981).

For more information, see SAO Report No. 95-020.

What are the risks associated with the fact that the agency was four years behind in performing comprehensive reviews of public retirement systems? How does management propose to address the backlog? What were the options which management considered to ensure that improvements were made within existing resources? .

- The Pension Review Board is four years behind in performing comprehensive reviews of public retirement systems. As of the beginning of the year, out of 166 advance-funded retirement systems, 134 have not received comprehensive reviews since 1989.

For more information, see SAO Report No. 95-020.

Section 2:

SAO Reports Affecting Agency

| 95-020 Management controls (October 1994)

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Alcohol And Drug Abuse, Commission on

The Texas Commission on Alcohol and Drug Abuse was created in 1953 as the Texas Commission on Alcoholism. The mission of the Texas Commission on Alcohol and Drug Abuse is to assist all Texans to achieve healthy productive lives by preventing, or overcoming the consequences of, chemical dependency and abuse and problem gambling. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$122 million and full-time equivalent employees totaling approximately 230.

A September 1993 audit report concluded that the agency had provided services to many people. However, neither our auditors nor the Commission could determine whether Texas was maximizing the effects of each service dollar. The Commission lacked well-defined, achievable goals that could serve as indicators of the effectiveness of its services. The Commission had measured the number of service units that it provided, but did not determine the effects of these services on the important problems that the Commission addresses.

section 1: Administration

What improvements are in place to monitor subrecipients to ensure you effectively address issues facing the Commission in a timely manner and ensure the continuation of federal funds by complying with program requirements?

- The Commission's controls over subrecipient cash advances are not sufficient to ensure that subrecipients do not accumulate cash in excess of what federal regulations allow. It is generally accepted that cash advances should be spent within three to seven days.
- The Commission does not conduct timely reviews of all subrecipient audit reports. We tested 20 subrecipient report files for the Alcohol and Drug Abuses and Mental Health Service Block Grant program of which 5 were not reviewed in a timely manner.

For more information, see SAO Report Nos. 93-067 and 94-024.

How are you improving your contracting process? And, what processes are in place for monitoring the contracts?

- At five health and human services agencies examined, factors limit the ability of contract monitoring functions to ensure that the State uses the most effective contractors. While all of the programs had a process in place to monitor contractor performance, there were factors which limited the ability of the contract monitoring efforts to ensure that the State used the most effective contractors to provide services:

The focus of the programs was on determining compliance with state and federal regulations, not on evaluating the success or results of

the services provided. None of the 225 contracts which our auditors reviewed contained specific outcome measures requiring the contractor to perform at a certain level of success.

Some programs only performed limited reviews of contractors' accounting controls.

A lack of standardized monitoring procedures prevents most agencies from obtaining sufficient information to assess overall performance of the contractor.

The workload of program monitors at the Commission on Alcohol and Drug Abuse had increased from 38.28 contracts per program monitor in 1991 to 64.83 contracts per monitor in 1994. In addition, the agency relied almost solely on independent audit reports to review the fiscal controls of its contractors. The agency did not perform financial audits of its providers.

The Commission spent approximately \$660,000 to monitor 555 contracts, or roughly \$1,200 per contract.

For more information, see SAO Report No. 95-007.

Section 2:

Prevention And Treatment Services

What actions has management taken to improve problems with policies, procedures, and processes identified in the State Auditor's management control audit of the agency?

- The Commission allows people whose applications state that they have violent criminal histories to conduct counseling sessions. Our auditors reviewed files of 23 of the licensure applicants with criminal convictions and 2 files of applicants on whom complaints were filed during the licensure process. Only two of the files examined resulted in license denials or revocations because of the crimes disclosed on the applications.
- Substance abuse services are not always offered where and when they are most needed because the Commission depends on existing providers to respond to its Requests for Proposals. As a result of this policy, the Commission has little control over where providers are located.
- The Commission's systems for determining the outcomes of programs are neither comprehensive nor reliable. For example, the information that the Commission reports was not reliable. We reviewed 32 output measures and 6 outcome measures that had been prepared by the Commission for its Second Quarter Report on Performance Measures for fiscal year 1993. Our auditors found 11 errors of computation, most of which were overstatements of performance.

For more information, see SAO Report No. 94-001

Section 3:

SAO Reports Affecting Agency

- 93-067 Management Letter (March 1993)
- 93-154 Classification (August 1993)
- 94-001 Management controls (September 1993)
- 94-024 Management Letter (January 1994)

Health, Department of

The Texas Board of Public Health was created in 1879 as the Texas Quarantine Department. It assumed its current name in 1978. The mission of the Texas Board of Health and the Texas Department of Public Health is to protect and promote the health of the people of this state. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$6.1 billion and full-time equivalent employees totaling approximately 5,800.

Section 1:

Overall Management And Operations

How have you addressed the issue of a large (compared with other industry averages) profit-factor for the drug companies?

- The profit factor paid to pharmacies may be too high. Fiscal impact: at least \$8 million per year from paying higher-than-industry-average profit factor to pharmacies.

For more information, see SAO Report No. 94-143.

How are you improving your contracting process? And, what processes are in place for monitoring the contracts?

- At five health and human services agencies examined, factors limit the ability of contract monitoring functions to ensure that the State uses the most effective contractors. While all of the programs had a process in place to monitor contractor performance, there were factors which limited the ability of the contract monitoring efforts to ensure that the State used the most effective contractors to provide services:

The focus of the programs was on determining compliance with state and federal regulations, not on evaluating the success or results of the services provided. None of the 225 contracts which our auditors reviewed contained specific outcome measures requiring the contractor to perform at a certain level of success.

Some programs only performed limited reviews of contractors' accounting controls.

A lack of standardized monitoring procedures prevents most agencies from obtaining sufficient information to assess overall performance of the contractor.

The Department spent approximately \$600,000 to monitor 413 contracts.

For more information, see SAO Report No. 95-007.

Section 2:

Prevention And Promotion

What strategies and plans are in place to address the role of disease prevention in the Health Department?

- Our review of the Disease Prevention Program at the Texas Department of Health indicated that the Program had not been successful in preventing some diseases and that disease prevention had not been a primary focus in health care during the past two decades. The Program had been hindered by funding restrictions, organizational inefficiencies, and poor planning and policy-making. The economic cost to Texas for care and treatment of individuals with preventable diseases could exceed \$1 billion annually.

For more information, see SAO Report No. 93-012.

Section 3:

Medicaid services

What controls are in place to ensure that the State is collecting as many rebates as possible from drug vendors with available resources?

- Inadequate resources, a lack of internal controls and quality control measures and operational difficulties have hindered the Program's ability to effectively administer a program responsible for billing and collecting \$88 million yearly in rebate revenues. Significant loss of revenues and exposure to risk of loss have occurred.
- Quarterly rebate billings to manufacturers are consistently late and inaccurate. Delays in mailing the invoices cost the Program about \$392,000 a year in lost interest revenue and increase the risk that the rebates will not be collected.

For more information, see SAO Report No. 94-143.

(See also question related to Board policy on profit factor paid to pharmacies in Section 1, above.)

Section 4:

SAO Reports Affecting Agency

- 93-005 Follow-up Letter (September 1992)
- 93-012 Performance Audit - Preventable Disease Program (October 1992)
- 93-022 Briefing Report - Drug-Exposed Infants (December 1992)
- 93-065 Correspondence Letter (March 1993)
- 94-020 Classification (January 1994)
- 94-081 Management Letter (March 1994)
- 94-143 Performance Audit - Medicaid Vendor Drug Rebate Program (August 1994)
- 94-147 Classification (September 1994)

Human Services, Department of

The Texas Department of Human Services was created as the Department of Public Welfare in 1939. The mission of Texas Department of Human Services is to foster the individual's worth, dignity, and family life by: providing services that encourage self-sufficiency and long-term independence from public assistance; providing care and services to elderly people and people with disabilities who cannot care for themselves or need help in maintaining their independence; protecting children and vulnerable adults from abuse, neglect, and exploitation; and providing basic support to low-income families. At the end of fiscal year 1994, the agency reported department administration and recipient-associated expenditures totaling approximately \$3.1 billion and full-time equivalent employees totaling approximately 18,100.

A December 1993 audit report concluded that the overall management control system at the Department had strengths which were designed to ensure fulfillment of its mission. However, those strengths had not reached the service delivery level in all cases. Ineffective procedures and controls for caseworker service delivery and information systems used to monitor performance needed management's attention.

Section 1:

Overall Management And Operations

What policies or procedures have you established that give assurance that your automated systems are delivering the expected results in a timely manner?

- Millions are spent on automated systems that often do not deliver results. Several multi-million dollar projects developed by Texas state agencies have been identified in previous audits as not meeting original objectives in a timely manner. These include the Welfare Network (WELNET) at the Texas Department of Human Services, the Early Warning System at the Texas Department of Insurance, and the Uniform Statewide Accounting System (USAS) at the Texas Comptroller of Public Accounts.

For more information, see SAO Report No. 93-038 and report from the Quality Assurance Team.

How are you improving subrecipient monitoring to ensure compliance with federal regulations?

- As reported in previous years, the Department has not materially complied with all subrecipient monitoring requirements. Audit reports were not obtained from 34 percent of the Department's subrecipients. Even though the Department has not materially complied with subrecipient monitoring requirements, we commend it for improving its system for tracking subrecipient audit reports. Additionally, the Department has implemented a policy to notify and sanction subrecipients who have not submitted audit reports within the required timeframe.
- For the second year, the Department's inadequate monitoring of subrecipients

resulted in material noncompliance with federal regulations. 75 percent of subrecipient audit reports were not received. In addition, the Department did not take timely action on 55 percent of the audits tested. These two facts resulted in auditors questioning \$64.7 million in costs.

For more information, see SAO Report Nos. 94-072 and 93-078.

Have you improved monitoring of the cost allocation system to ensure that unrecognized funding sources are not charged to the State?

- State appropriations were overcharged \$2.1 million that should have been charged to federal funds in fiscal years 1991, 1992, and 1993. The cost allocation system automatically charges unrecognized funding sources to state funds to prevent the potential overcharging of federal funds. Procedures tended to overcharge state funds for certain indirect costs, based on automated reports.

For more information, see SAO Report No. 93-078.

How have you addressed caseworker service delivery to ensure that the targeted populations are being served efficiently and effectively?

- Caseworkers lack efficient technical support. Fiscal impact: \$6.4 million annually (lost work time due to slow computer response).

For more information, see SAO Report No. 94-014.

How are you improving your contracting process? And, what processes are in place for monitoring the contracts?

- At five health and human service agencies examined, factors limit the ability of contract monitoring functions to ensure that the State uses the most effective contractors. While all of the programs had a process in place to monitor contractor performance, there were factors which limited the ability of the contract monitoring efforts to ensure that the State used the most effective contractors to provide services:

The focus of the programs was on determining compliance with state and federal regulations, not on evaluating the success or results of the services provided. None of the 225 contracts which our auditors reviewed contained specific outcome measures requiring the contractor to perform at a certain level of success.

Some programs only performed limited reviews of contractors' accounting controls.

A lack of standardized monitoring procedures prevents most agencies from obtaining sufficient information to assess overall

performance of the contractor.

For more information, see *SAO* Report No. 95-007.

Section 2:
Family/Income Assistance

As of today, approximately what percent of your eligible clients are participating in the JOBS Program?

- Job Opportunities and Basic Skills (JOBS) program services were not communicated to 45 percent of eligible clients, resulting in material noncompliance. Nine of 20 case files tested did not contain evidence that the Department informed the client of the JOBS program services.

For more information, see *SAO* Report No. 94-082.

How are you and partner agencies (TEC, TEA, Commerce, etc.) in the JOBS program working (1) to improve the outcomes of the program and (2) to ensure that maximum utilization of federal funds occurs?

- The Texas Department of Human Services provides services through the Job Opportunities and Basic Skills Training (JOBS) program to welfare recipients in an effort to reduce their dependence on governmental subsidies. Clients who participated in the program are, in the short run, earning average salaries no higher than comparable clients who did not participate in the program. Because the program is relatively new, potential longer-term benefits and effects are, as yet, unmeasurable. Although increased self-sufficiency is the stated purpose of the program, it is not defined, making it difficult to determine the success of the program.

For more information, see *SAO* Report No. 94-082.

What procedures have been established to correct the high error rate in the Food Stamps Program?

- Caseworker eligibility decisions are sometimes reversed by management as a result of client complaints. This override contributes to high eligibility errors, which in turn, can lead to federal sanctions. The Department received notification of \$2.5 million in potential federal sanctions due to high error rates in the Food Stamps program.

For more information, see *SAO* Report No. 94-014.

Section 3:
Abuse/Neglect Protection

What procedures are in place to ensure that Foster Care payment rates are updated promptly?

- Foster Care funds were overcharged \$700,000 because payment rates were not updated promptly. State rates for Foster Care maintenance payments were increased to levels above the maximum allowable in federal rates on September 1, 1991. However, the Department delayed updating the automated system for two months.

For more information, see SAO Report No. 93-078.

Section 4:
SAO Reports Affecting Agency

93-002 Audit follow-up (September 1992)
93-038 Performance - Developing automated systems (February 1993)
93-078 Management letter (March 1993)
93-153 Classification (August 1993)
94-002 Classification (September 1993)
94-014 Management controls (December 1993)
94-015 Performance - Nursing home regulation (December 1993)
94-072 Management letter (March 1994)
94-082 Performance - JOBS program (March 1994)
94-149 Classification (August 1994)

Mental Health and Mental Retardation, Department of

The Department of Mental Health and Mental Retardation was established in 1965. The mission of the Department of Mental Health and Mental Retardation is to offer an array of services which respond to the needs of people with mental illness and mental retardation and which enable them to make choices that result in lives of dignity and increased independence. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$1.3 billion and full-time equivalent employees totaling approximately 28,200.

Section 1:

Overall Management And Operations

How are you improving your contracting process? And, what processes are in place for monitoring the contracts?

- At five health and human service agencies examined, factors limit the ability of contract monitoring functions to ensure that the State uses the most effective contractors. While all of the programs had a process in place to monitor contractor performance, there were factors which limited the ability of the contract monitoring efforts to ensure that the State used the most effective contractors to provide services:

The focus of the programs was on determining compliance with state and federal regulations, not on evaluating the success or results of the services provided. None of the 225 contracts which our auditors reviewed contained specific outcome measures requiring the contractor to perform at a certain level of success.

Some programs only performed limited reviews of contractors' accounting controls.

A lack of standardized monitoring procedures prevents most agencies from obtaining sufficient information to assess overall performance of the contractor.

For more information, see SAO Report No. 95-007.

Do you have plans to provide front-end technical assistance to locally initiated construction projects?

- The total cost of the El Paso Psychiatric Center construction project will exceed the original amount (\$8.7 million) appropriated by the 72nd Legislature by \$1.5 million. The cost overrun will occur because some project administrative costs (i.e. project administration, surveys, material testing, quality control, contingency, and escalation) were not included in the proposed budget approved by the Legislature.

For more information, see SAO Report No. 95-033.

- Statewide, construction costs can be more effectively controlled by ensuring that constructability review programs are in place, that there is an effective and thorough change order review process, that certificates of insurance are carefully reviewed, and that alternative disputes resolution measures are used in all contracts for construction.

For more information, see SAO Report No. 95-031.

What policies should be instigated to improve coordination with MHMR related to community mental health and mental retardation centers (community centers)?

Section 2:
SAO Reports Affecting Agency

- 93-047 Correspondence letter (February 1993)
- 94-031 Management letter (February 1994)

Protective And Regulatory Services, Department of

The Department of Protective and Regulatory services was created by House Bill 7, 72nd Legislature, from three programs which were part of the Department of Human Services - Adult Protective Services, Child Protective Services, and Child Care Licensing. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$313.5 million and full-time equivalent employees totaling approximately 6,500.

A September 1994 audit report concluded that, although the Department had been in existence for two years, it was still developing agency-wide management systems. Defined processes for strategic planning, environmental scanning, policy-making, and performance monitoring would help the Department achieve its goals and objectives.

Section 1:

Overall Management And Operations

What progress has been made in addressing recommendations made by the State Auditor's Office regarding the establishment of management controls in the agency?

- Oversight functions (such as the Board of Directors, the Ombudsman Office, and internal audit) had not been developed sufficiently to provide direction and feedback to Department operations.
- Child Protective Services, the Department's largest program, lacked a defined contract administration process. The program spent over \$190 million for agreements for foster care and purchased services.

For more information, see SAO Report No. 95-003.

What risks exist because of noncompliance with federal funding requirements for the Child Welfare Program, Foster Care, and Social Services Block Grant?

- The Department paid \$22,849 for purchased services provided to five Child Welfare Services clients without sufficient documentation showing that the clients were eligible for these services. As a result, the Department was in material noncompliance with the federal eligibility requirements for this program.
- The Department did not limit requests for federal funds to amounts necessary to meet immediate cash needs. Two of the three requests for funds tested (comprising \$4.7 million of the \$161.7 million requested during fiscal year 1993) did not meet immediate cash needs. The Department held \$79,020 for 19 days.

For more information, see SAO Report No. 94-094.

Section 2:
Protective services

What plans are in place to address updating/revising the rate setting formulas for children's residential care? How are you addressing concerns caused by the equality of rates of payment between regions of the State?

- Variations in the rates paid by state and local agencies for children's residential care do not appear to affect the ability of these agencies to obtain services for their clients. However, the current system for children's residential care contains weaknesses that could impact the quality of care as well as result in agencies paying rates that do not reflect actual costs.

For more information, see SAO Report No. 95-022.

How is the \$100 million computerization project progressing? (The project is using a consultant.) When is the scheduled completion date? Are you on schedule? Did the cost of changes to the system include items that were identified as part of the original bid specifications?

- Agencies are experiencing system development problems. Millions are spent on automated systems that often do not deliver results. Several multi-million dollar projects developed by Texas state agencies have been identified in previous audits as not meeting original objectives in a timely manner.

For more information, see SAO Report No. 93-038 and report from the Quality Assurance Team.

How are you improving your contracting process? And, what processes are in place for monitoring the contracts?

- At five health and human service agencies examined, factors limit the ability of contract monitoring functions to ensure that the State uses the most effective contractors. While all of the programs had a process in place to monitor contractor performance, there were factors which limited the ability of the contract monitoring efforts to ensure that the State used the most effective contractors to provide services:

The focus of the programs was on determining compliance with state and federal regulations, not on evaluating the success or results of the services provided. None of the 225 contracts which our auditors reviewed contained specific outcome measures requiring the contractor to perform at a certain level of success.

Some programs only performed limited reviews of contractors' accounting controls.
A lack of standardized monitoring procedures prevents most agencies from obtaining sufficient information to assess overall performance of the contractor.

For more information, see SAO Report No. 95-007.

Section 2:

SAO Reports Affecting Agency

93-112 Performance - Implementing House Bill 7 (April 1993)
94-094 Management letter (March 1994)
94-148 Classification (September 1994)
95-003 Management controls (September 1994)

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Education Agency, Texas

The Central Education Agency was created in 1949 by a legislative reorganization. The mission of the Central Education Agency is to develop and support a learning environment for students of all ages with the goal of attaining excellence and equity in achievement for everyone served by the Texas public education system. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$7.7 billion and full-time equivalent employees totaling approximately 1,050.

Section 1:

Excellence And Equity

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments? What happens to these investments if interest rates continue to rise?

- More than 92 percent of the derivative investments, or about \$6 billion, are in the State's largest portfolios. The level of investment in derivatives appears to be reasonable in the context of the total portfolios at these entities. The total book value of the Texas Education Agency's investment portfolio was \$10 billion at July 31, 1994. Derivative investments accounted for \$2.4 billion, or 26.4 percent, of the total portfolio.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

What steps has management taken to improve accuracy of data in the Public Education Information Management System (PEIMS)? How does management use the information to monitor school districts?

- There are problems with the accuracy of the Public Education Information Management System (PEIMS) administered by the Texas Education Agency. The system was not performing up to expectations when auditors reported on it in November 1992. At the district level, inaccurate reporting, coding, and classification contributed to the problems. At the state level, obvious errors were not being detected by the Texas Education Agency's system of edit checks.

A report that used data derived from PEIMS for the 1992-1993 school year noted that the magnitude and number of errors has been decreasing. This was

a result not only of new procedures adopted by the Texas Education Agency, but also because of significant efforts by school districts.

For more information, see *SAO* Report Nos. 93-010, 93-117, and 94-120.

Has management fully utilized federal funds in recent years? How has management acted to ensure that federal funds do not lapse in the future?

- The Texas Education Agency did not use all the federal funds that were received in fiscal year 1990 and which expired in 1992. As a result, at least \$3 million in federal funds will be lapsed. In addition, at least \$4.1 million and \$3.6 million of federal funds were lapsed for grants that expired in 1988 and 1989, respectively.

For more information, see *SAO* Report Nos. 93-093 and 94-082.

Is the agency ensuring that subrecipients of federal funds submit audit reports within required time frames and resolve audit issues in a timely manner? What are the current trends among the subrecipient audit reports?

- The Texas Education Agency's report review procedures did not allow for the timely review of subrecipient audit reports, which results in noncompliance with federal regulations. Of 59 subrecipient reports, 39 were not reviewed in a timely manner. The reviews were performed seven to eleven months after the receipt of the reports.

The Texas Education Agency cannot ensure that appropriate corrective action is taken by subrecipients on audit findings because standardized written procedures are not used. The five departments that obtain corrective action on subrecipient audit findings are not using appropriate procedures.

For more information, see *SAO* Report No. 94-061.

How has management improved cooperation with the Department of Human Services (DBS) and other Job Opportunity and Basic Skills (JOBS) program partner agencies? How has better coordination improved service delivery?

- A new Job Opportunities and Basic Skills (JOBS) program administered by Texas Department of Human Services has not proven effective in the short term. Short-term results indicate that program participants have yet to achieve higher wages than non-participants.

Coordination with partner agencies needs improvement, and a comprehensive evaluation system needs to be developed. Partner agencies include the Texas Education Agency, the Texas Employment Commission, and the Texas Department of Commerce.

For more information, see SAO Report No. 94-082.

What is the current status of the accountability system to ensure that public education dollars are spent wisely? What improvements has management recently implemented? What improvements are planned for the future?

- The system of oversight for public education did not ensure that all public education dollars were spent wisely. The educational system contained some elements of an accountability system, but it was largely compliance-based. That is, the focus was on whether districts have followed certain rules, not on whether resources were used efficiently.

Our audits of school districts revealed that the current accountability system for public education did not ensure that all funds were spent efficiently and effectively. Some of the districts our auditors visited did not use sound business practices to manage costs outside the classroom. In some cases, staff sizes were excessive, and fringe benefits were generous. Certain districts had serious weaknesses in purchasing of goods and services. In addition, some employee and board member travel expenses were extravagant.

For more information, see SAO Report Nos. 93-010 and 93-117.

Section 2:

SAO Reports Affecting Agency

93-010 Management controls (November 1992)
93-011 Management controls (November 1992)
93-014 Audit follow-up (November 1992)
93-093 Management letter (March 1993)
93-117 Management controls (June 1993)
93-141 Classification (March 1993)
94-061 Management letter (March 1994)
94-082 Performance - JOBS program (March 1994)
94-120 Special - Savings Profile System (June 1994)

Teacher Retirement System

The Teacher Retirement System of Texas was created in 1937 after voters approved an amendment to the Texas Constitution in 1936. The mission of the Teacher Retirement System of Texas is to guarantee members and annuitants maximum earned benefits through prudent management of assets in order to attract and retain effective public and higher education employees. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$166 million, pension trust fund expenses of \$1.76 billion, and full-time equivalent employees totaling approximately 395 .

Section 1:

Overall Management And Operations

Does management systematically review operations to ensure that efficiency is maximized? Where has management identified opportunities to improve efficiency? What actions were taken? What operations have not been reviewed? Why not?

- TRS has provided excellent services to members on an individual basis and has consistently met and usually exceeded the performance standards set by its peers in investments. However, with ample resources to draw upon, the System has not been pressed to manage its operations for maximum efficiency and has not fully developed the managerial tools necessary to do so.

For more information, see SAO Report No. 93-025.

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments?

- More than 92 percent of the derivative investments, or about \$6 billion, are in the State's largest portfolios. The level of investment in derivatives appears to be reasonable in the context of the total portfolios at these entities. The total book value of the Teacher Retirement System's investment portfolio was \$32.3 billion at July 31, 1994. Derivative investments accounted for \$1.8 billion, or 5.4 percent, of the total portfolio.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035

Section 2:
Financial Reporting

What were the reasons for changes in the assumptions which the System provided to actuaries? Why weren't the changes made earlier? Can management assure the Legislature that actuarial information presents a fair picture of the System's financial condition?

- The actuarial valuation of the Teacher Retirement System projected assets of \$55.7 billion, covering 715,000 active members and retirees or beneficiaries, and liabilities of \$59.2 billion. The actuaries concluded that the \$3.4 billion difference (an "unfunded accrued actuarial liability") would be amortized over a period of 25.1 years. In other words, if member and state contributions continued at a rate of 13.71 percent, the System's assets and future revenues would be sufficient to fund the \$3.4 billion over a period of 25.1 years.

The System's Board of Trustees adopted actuarial assumption changes in June 1994. As a result, the 1993 unfunded actuarial accrued liability decreased to \$1.75 billion, and the funding period decreased to 5.2 years.

For more information, see SAO Report No. 95-032.

Section 3:
Teacher Retirement System

What has management done to improve controls over reimbursements for retirement contributions related to salaries paid from federal and private sources?

- There are no controls in place to ensure that the State's General Revenue Fund is being properly reimbursed for retirement contributions related to salaries paid with federal and private sources. The absence of a mechanism to verify the accuracy of dollars reimbursed provides opportunities for underpayments to occur.

Our auditors found no instances of significant overpayments to retirees who resumed work with the State. However, the concern remains that due to the absence of procedures to monitor the accuracy of employment information, significant overpayments could occur without detection. The Teacher Retirement System collects \$90 million annually in the retirement contributions from federal funds, private grants, or certain noneducational and general funds.

For more information, see SAO Report No. 93-042.

What is the eUITent status of the System's real estate investments? What are the System's plans for the future of these investments?

- The combined book value of real estate assets (existing mortgage loans plus real estate held in subsidiary corporations) is \$1,747,170,175. The market value of these assets is \$1,787,726,909. The book value is net of write-downs of losses recognized at time of repossession and an anticipated loan loss reserve on existing mortgage loans of \$218,235,310.

For more information, see SAO Report No. 94-113.

Can management assure the Legislature that policies and procedures designed to minimize losses in the event of bank closings are consistently followed? How?

- The System has not consistently followed policies and procedures established to minimize risk of loss of uninsured deposits. As a result, some funds were lost when a depository bank failed (\$62,500). Uninsured deposits totaled \$2.2 million at August 31, 1992, and were much higher at times during the year.

For more information, see SAO Report No. 93-106.

Section 4:

SAO Reports Affecting Agency

- 93-025 Management controls (December 1992)
- 93-042 Performance - Retirement benefit controls (February 1993)
- 93-106 Management letter (March 1993)
- 93-107 Opinion (March 1993)
- 94-091 Financial related audit (March 1994)
- 94-113 Opinion (March 1994)

Higher Education Coordinating Board, Texas

The Texas Higher Education Coordinating Board was created in 1965. The mission of the Texas Higher Education Coordinating Board is to provide the Legislature advice and comprehensive planning capability for higher education, to coordinate the effective delivery of higher education, to administer efficiently assigned statewide programs, and to advance higher education for the people of Texas. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$782 million and full-time equivalent employees totaling approximately 270.

An August 1994 audit report concluded that management controls at the Coordinating Board needed to be strengthened over student loan operations. There were no indications of problems with management controls in other areas of the agency. Management controls had been established to facilitate the primary functions of formula funding, degree program approval, and facility planning.

Section 1:

Overall Management And Operations

How has management acted on potential cost savings identified by the State Auditor?

- The automated student loan system should be improved to meet the needs of the agency. Fiscal impact: \$55,000 five-year cost to agency from a system flaw requiring staff to spend time manually reconstructing some information.
- The Coordinating Board does not use electronic funds transfer to collect loan payments from borrowers, nor does the Coordinating Board use lock-box operations offered by the State Treasury. Fiscal impact: (1) \$25,000 reduced processing costs by converting 15 percent of payments to EFT and (2) \$35,000 annual cost savings by using Treasury lock-box system, thus reducing data entry of payment information by 75 percent.
- The Coordinating Board leases about twice as much space as the state standard. Fiscal impact: \$55,000 from converting office space unused two-thirds of the time to general state use.

For more information, see SAO Report No. 94-138.

Section 2:

Public Community/Junior Colleges

What steps has management taken to ensure that junior colleges understand rules and regulations related to the allocation of special funds for remedial training in reading, writing, and arithmetic?

- The allocation of \$6 million in special funds for remedial training in reading, writing, and mathematics may be inaccurate due to confusion at the college level.

For more information, see SAO Report No. 94-104.

Section 3:

Quality/Access Of Higher Education

How does management use information available to it about faculty workload and workload policies to monitor and evaluate the effectiveness of higher education instruction? In light of the State's current economic conditions, has management been able to use this information to identify areas where efficiency could be enhanced?

- State resources committed to the salaries of university faculty amounted to over \$1.5 billion for the 1994-1995 biennium. The four universities reviewed (Texas A&M University, Texas Tech University, University of Texas at Austin, and University of Houston) have established workload policies, providing an accountability system for holding faculty responsible for meeting workload requirements. Our auditors found that the following processes and information are available to report on accountability at the four universities studied:

Faculty are required to meet minimum workload requirements established in policies submitted to the Texas Higher Education Coordinating Board.

Tenure-track faculty classroom teaching load - an average of two courses per semester -- is consistent with that of public research universities in other states. While the portion of teaching load comprised of individual instruction could not be compared to other states, it is an important part of faculty teaching responsibility. Faculty workload encompasses activities beyond classroom and individual instruction. There is no standard method in use for recording these activities or the time involved. While annual activity reports prepared by faculty list teaching, research, and service activities, the level of both faculty activities listed and reporting detail included varies considerably.

Class size varies by discipline and is a factor of course level. The majority of graduate students are enrolled in smaller classes, while many lower division courses are taught in larger classes.

For more information, see SAO Report No. 94-117.

Has management improved the planning and forecasting of student loan demand and preparation of contingency plans? What will demand for student loans be like over the next 2-10 years? What sources of information has management used to support these projections?

- Management controls over student loan operations need to be strengthened to improve planning and forecasting of student loan demand and to prepare contingency plans for changes that could significantly impact student loan programs. \$80 million in new loans are granted each year, and in 1994, there were over \$500 million in outstanding student loans receivable.

For more information, see *SAO* Report No. 94-138.

What are management's current plans to ensure that student loan transactions are processed efficiently? How long has the Student Loan System been in use? How long does management plan to continue using the system? What are the costs of any planned improvements to the current system? What factors (including costs and benefits) lead to management's recent decision to not redesign the system?

- The need for improved planning is especially important prior to making decisions about the automated student loan system. In March 1994, the Coordinating Board solicited proposals for a feasibility study of a redesigned system. Preliminary estimates of a redesign begin at \$2.24 million.

A December 1994 letter from the Coordinating Board to the Department of Information Resources documents the administration's decision to bring the existing system to a current status and defer any consideration of redesigning the system.

For more information, see *SAO* Report No. 94-138.

Section 4:

SAO Reports Affecting Agency

93-075 Management letter (March 1993)
94-050 Management letter (February 1994)
94-104 Statutory - Junior college enrollment (April 1994)
94-117 Performance - Faculty workload (May 1994)
94-138 Management controls (August 1994)

University of Texas Medical Branch at Galveston

The mission statement of the University of Texas Medical Branch at Galveston says:

The University of Texas Medical Branch at Galveston enjoys a unique position among the health science centers in the State of Texas in that it operates its academic and patient care programs and facilities under a single administration. This unique position facilitates the integration of education, research, and patient care programs and thus provides a strong, synergistic environment as UTMB becomes that rare institution known for its consistent strength and commitment to excellence. UTMB will take advantage of this synergistic environment by providing scholarly teaching, innovative scientific investigation, and state-of-the-art patient care.

At the end of fiscal year 1994, the Medical Branch reported expenditures totaling approximately \$767 million and full-time equivalent employees totaling approximately 9,850.

A May 1993 audit report concluded that overall the Medical Branch had designed a management control system which is generally effective in facilitating the achievement of its mission to provide scholarly teaching, innovative scientific research, and state-of-the-art medical care.

Section 1:

Overall Management And Operations

What has management done to improve the classified employee recruitment and selection process within its Human Resources Department?

- The classified employee recruitment and selection process within the Human Resources Department did not fully meet the needs of all Medical Branch departments. When the average length of time to fill a vacancy was first measured in fiscal year 1990, it was 80 days. The average number of applications processed per month by four recruiters has increased from 936 in fiscal year 1990 to 1,302 in fiscal year 1992.

For more information, see SAO Report No. 93-084.

How has management dealt with the cost of health care services provided to medically indigent persons which were not reimbursed by responsible counties or district hospitals? What has management done to obtain reimbursements? Is legislative assistance needed?

- The Medical Branch is not always reimbursed by counties and hospital districts responsible for services provided to their uninsured/underinsured (indigent) residents. During fiscal year 1992, the Medical Branch provided \$110.7 million of services to 340,824 indigent Texas residents, but was reimbursed only \$6 million by 48 counties and hospital districts.

For more information, see SAO Report No. 93-084.

Section 2:

Providing Public Service

Can management assure the Legislature that the Medical Branch does not receive patients from the Texas Department of Criminal Justice who could have been treated in unit or regional medical facilities? Can management assure the Legislature that the cost of treating TDCJ inmates is minimized? How?

- Under the current budgeting and planning process, the Health Services Division of the Texas Department of Criminal Justice has incentives to use prison hospital services at UTMB Galveston rather than at its own unit or regional medical facilities regardless of the cost to the State or the quality of services provided. The University of Texas Medical Branch at Galveston receives a \$32 million direct lump-sum appropriation to run the prison hospital in addition to the \$76 million appropriated to the Division for medical care. Every health service performed and inmate treated at UTMB Galveston's prison hospital decreases the [mancial burden on IDCJ's Health Services Division.

For more information, see SAO Report No. 94-005.

Section 3:

SAO Reports Affecting Agency

- 93-084 Management controls - UT Medical Branch at Galveston (May 1993)
- 93-088 Management letter (March 1993)
- 94-005 Performance - [IDe] Health Services, affecting UT Medical Branch at Galveston (September 1993)
- 94-033 Management letter (February 1994)

University of Texas Health Science Center at Houston

The mission statement of the University of Texas Health Science Center at Houston states that the Center occupies a special niche in public higher education. The institution aspires to be the model health sciences university for the 21st century, dedicated to improving the health of the people of the State of Texas and the nation. At the end of fiscal year 1994, the Center reported expenditures totaling approximately \$381 million and full-time equivalent employees totaling approximately 4,400.

A January 1994 audit report concluded that the management control environment at The University of Texas Health Science Center at Houston was functioning effectively. The Center had relied on these controls as they reshaped the university to be more responsive to the health needs of the State and more accountable over the use of resources.

Section 1: Overall Management And Operations

How has management addressed recommendations from the State Auditor to improve controls over fixed assets and over contracting with affiliated hospitals?

- The Center's financial controls of contracting with affiliated hospitals for residents and controls over the Center's fixed asset system can be improved. The Center was in the process of addressing these areas.

For more information, see SAO Report No. 94-022.

Section 2: Providing Instruction

What has management done to address the State Auditor's findings that several departments within the Medical School had deficit fund balances in fiscal year 1992? Are the departments' fund balances currently in a positive financial position?

- The budget process is generally effective, however some medical school departments are operating in a deficit situation. Several departments within the Center's Medical School had deficit fund balances at the end of fiscal year 1992 and some of these departments have been carrying deficit fund balances for at least the past four years. The Center has identified the weaknesses in this area and has developed plans to improve the budget process and eliminate deficit fund balances.

For more information, see SAO Report No. 94-022.

Section 3:

SAO Reports Affecting Agency

- 93-088 Management letter (March 1993)
- 94-022 Management controls - Health Science Center Houston (January 1994)
- 94-033 Management letter (February 1994)
- 94-036 Management letter - Health Science Center Houston (February 1994)

University of Texas Health Science Center at San Antonio

The mission of the University of Texas Health Science Center at San Antonio says that:

The mission of the Center, as a part of public higher education in Texas, is to lead the State into the future by providing access to a world class education and preparing the career and professional workforce of Texas to compete in a global environment; by promoting economic development and enhancing the quality of life through research programs, creative endeavors, and knowledgeable consultation; and by providing opportunities for personal growth and enrichment. In addition, the State's colleges and universities serve the people of the State by advancing cultural understanding in a pluralistic society, by maintaining repositories of human wisdom and accomplishment, and by extending expert assistance into the communities.

At the end of fiscal year 1994, the Center reported expenditures totaling approximately \$297 million and full-time equivalent employees totaling approximately 1,340.

A March 1993 audit report concluded that an expansion of management controls was needed to meet the needs of a developing institution and its increasingly complex operations. The initiative shown by the Center's leadership in guiding the institution to its current status should be extended to enhance management controls over internal operations.

Section 1:

Overall Management And Operations

What has management done to improve options for reducing expenditures in the event of future budget shortfalls?

- Although the Health Science Center has established planning procedures, the addition of a process to examine current operations and make decisions about the allocation of resources in terms of institutional priorities was needed. When faced with budget shortfalls, the leadership decided to sustain existing programs by implementing a variation of across-the-board cuts. The reductions to school and administrative budgets, \$19.5 million over four years, were based on factors such as General Revenue Funds and/or ability to pay.

For more information, see SAO Report No. 93-076.

How has management addressed the State Auditor's recommendations to add a systematic and comprehensive evaluation of the management of clinical departments?

- The Center should expand existing monitoring and evaluation activities by adding a systematic and comprehensive evaluation of the management of clinical departments. The heart of Medical School operations is the 12

clinical departments. Medical School expenditures, over \$107 million in fiscal year 1991, represented approximately 52 percent of the Health Science Center's total expenditures.

For more information, see SAO Report No. 93-076.

How has management addressed the State Auditor's recommendations to improve processing of charges for medical services and insurance claims?

- The processing of charges for medical services and insurance claims by certain departmental billing offices and the operations of the University Clinic lack the organization and management controls necessary to operate efficiently and effectively. Billing offices process the charges resulting from over 516,000 annual outpatient visits and \$10 million in insurance claims.

For more information, see SAO Report No. 93-076.

Section 2:

SAO Reports Affecting Agency

- 93-076 Management controls - Health Science Center at San Antonio (March 1993)
- 93-088 Management letter (March 1993)
- 94-033 Management letter (February 1994)

University of Texas M.D. Anderson Cancer Center

The mission of The University of Texas M.D. Anderson Cancer Center is to eliminate cancer and allied diseases as significant health problems throughout Texas, the nation, and the world by developing and maintaining integrated quality programs in patient care, research, education, and prevention. At the end of fiscal year 1994, the Center reported expenditures totaling approximately \$806.5 million and full-time equivalent employees totaling approximately 8,200.

A February 1993 audit report concluded that the management control environment at the Center was functioning effectively. However, controls over the development and implementation of management information systems and over recruiting and customer services within Human Resources could be improved.

The University of Texas M.D. Anderson Cancer Center is Texas' only comprehensive cancer center, as designated by the National Cancer Institute. Anderson was rated by a survey of 1,000 U.S. physicians to be the best cancer facility in the country and among the top ten hospitals overall.

Section 1:

Overall Management And Operations

Can management assure the Legislature that its Automated Medical Records project will be implemented as designed, in a timely manner, at a reasonable cost? What specific actions has management taken to make sure this happens?

- Our auditors are concerned about the Center's ability to finish the Automated Medical Records project, based on the current state of the project and the implementation process followed during the last two automated system projects. The project has a preliminary development timeline forecast at 10 years and is predicted to cost over \$10 million to complete.

For more information, see *SAO* Report No. 93-063.

What has management done to improve the recruitment of satisfactory personnel for classified level positions by the Human Resources Department?

- Several of the Center's departments feel the Human Resources Department has difficulty meeting user needs relating to recruitment of satisfactory personnel for classified level positions and in soliciting and responding to departments' requests, questions, or concerns in a timely and helpful manner. The 1991 Annual Financial Report shows salaries and benefits amounting to \$299 million out of \$419 million (or 58 percent) of current funds expenditures.

For more information, see *SAO* Report No. 93-063.

How has management dealt with the cost of health care services provided to medically indigent persons? What has management done to bring the cost of these services to the Legislature's attention? Is any legislative assistance needed?

- Decisionmakers on the local, state, and federal levels are going to be faced with tough choices on how to provide care to the indigent population and how to fund it. State-supported health providers have a strong incentive to allocate the highest possible dollar amounts to reported unsponsored charity care costs. Anderson reported more than \$102 million in Unsponsored Charity Care Costs in fiscal year 1991 and projects a figure in excess of \$142 million for fiscal year 1992.

For more information, see SAO Report No. 93-063.

Section 2:
SAO Reports Affecting Agency

93-063 Management controls - MD. Anderson Cancer Center (February 1993)
93-088 Management letter (March 1993)
94-033 Management letter (February 1994)

University of North Texas Health Science Center

At the end of fiscal year 1994, the Center reported expenditures totaling approximately \$65 million and full-time equivalent employment totaling approximately 900.

Section 1:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments? What happens to the Center's investment portfolio if interest rates continue to rise?

Can management assure the Legislature that -- in the future -- the Center's cash management and investment practices will protect the University from potential cash flow problems and minimize the risk of potential loss of invested public funds?

Given the high level of investment in volatile derivatives, what risk is there that the Center will experience cash flow problems in the future? What contingency plans has management developed for dealing with potential cash flow problems?

- The high concentration of volatile mortgage derivatives in Center's investment portfolio creates the risk that future liquidity problems could occur. Specifically, 86 percent (\$10.4 million of \$12 million) of the book value (at July 31, 1994) of the Center's total portfolio was in these investments. The market value of these investments at July 31, 1994, was \$6.1 million.

A December 1994 audit report on derivative investments among state agencies concluded that:

The lack of diversification and the extent of volatile investments indicates that management controls are not sufficient to protect invested public funds.

Investment personnel appear to place heavy reliance on brokers and dealers in making investment decisions.

Pressures on investment personnel to produce more income creates more risk for investment portfolios.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see **SAO Report No. 95-035**.

Section 2:

SAO Reports Affecting Agency

93-056 Correspondence Letter (February 1993)
1 94-067 Management Letter (February 1994)

University of Texas System Administration

The mission statement of the System says:

The U.T. System Administration is the central administrative office for the fifteen component institutions of The University of Texas System. The specific elements of the mission of The U.T. System Administration are: to provide the highest level executive leadership for the component institutions of The University of Texas System; to ensure implementation of the policies of the Board of Regents; to preserve and enhance assets held in trust for the benefit of more than a single institution; to carry out, on behalf of the component institutions, those functions which can be performed more effectively or efficiently as a collective activity; and to facilitate the sharing of critical resources among institutions in order to better serve Texas than if each institution were limited to its own resources and to accelerate the development of new services for particular regions through such resource sharing.

At the end of fiscal year 1994, the System reported expenditures totaling approximately \$178 million and full-time equivalent employment totaling approximately 380.

Section 1:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments?

- More than 92 percent of the derivative investments, or about \$6 billion, are in the State's largest portfolios. The level of investment in derivatives appears to be reasonable in the context of the total portfolios at these entities. The total book value of the University of Texas System's investment portfolio was \$7 billion at July 31, 1994. Derivative investments accounted for \$784 million, or 10.9 percent, of the total portfolio.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035

Section 2:

SAO Reports Affecting Agency

- | 93-027 Management controls -System Administration (February 1993)
- | 93-088 Management letter (March 1993)
- | 94-034 Management letter - System Administration (February 1994)

University Of Texas At Austin

The mission of The University of Texas at Austin says:

The mission of The University of Texas at Austin is to achieve excellence in the interrelated areas of undergraduate education, graduate education, research, and public service. The University provides superior and comprehensive educational opportunities at the baccalaureate through doctoral and special professional educational levels. The University contributes to the advancement of society through research, creative activity, scholarly inquiry, and the development of new knowledge. The University preserves and promotes the arts, benefits the State's economy, serves the citizens through public programs, and provides other public service.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$923 and full-time equivalent employees totaling approximately 12,000.

A February 1993 audit report concluded that management's control at the University provided assurance that \$2.32 billion of the State's capital, human, and financial resources was used effectively. The report's general recommendation was that all departments adopt the more effective management procedures already used by some departments. Sharing the most effective procedures will strengthen teaching evaluation, staff evaluation and morale, and the links between planning and performance monitoring.

Section 1:

Providing Instruction

How does management use information available to it about faculty workload and workload policies to monitor and evaluate the effectiveness of higher education instruction? In light of the State's current economic conditions, has management been able to use this information to identify areas where efficiency could be enhanced?

- State resources committed to the salaries of university faculty amounted to over \$1.5 billion for the 1994-1995 biennium. The four universities reviewed (Texas A&M University, Texas Tech University, University of Texas at Austin, and University of Houston) have established workload policies, providing an accountability system for holding faculty responsible for meeting workload requirements. Our auditors found that the following processes and information are available to report on accountability at the four universities studied:

Faculty are required to meet minimum workload requirements established in policies submitted to the Texas Higher Education Coordinating Board.

Tenure-track faculty classroom teaching load - an average of two courses per semester -- is consistent with that of public research

universities in other states. While the portion of teaching load comprised of individual instruction could not be compared to other states, it is an important part of faculty teaching responsibility. Faculty workload encompasses activities beyond classroom and individual instruction. There is no standard method in use for recording these activities or the time involved. While annual activity reports prepared by faculty list teaching, research, and service activities, the level of both faculty activities listed and reporting detail included varies considerably.

Class size varies by discipline and is a factor of course level. The majority of graduate students are enrolled in smaller classes, while many lower division courses are taught in larger classes.

For more information, see SAO Report No. 94-117.

Section 2:

SAO Reports Affecting Agency

- 93-040 Management controls - UT-Austin (February 1993)
- 93-088 Management letter (March 1993)
- 94-033 Management letter (February 1994)
- 94-035 Management letter - UT-Austin (February 1994)
- 94-117 Performance - Faculty workload policies (UT-Austin) (May 1994)

University Of Texas At El Paso

The mission statement of the University of Texas at El Paso says:

The University of Texas at El Paso provides quality higher education to the citizens of El Paso and the West Texas region. to prepare them to function effectively in society, and to contribute to the quality of life of this community and region. As a component of The University of Texas System, the University is mandated to be an institution of the first class for the education of all qualified individuals who seek admission.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$144 million and full-time equivalent employment of approximately 2,250.

A January 1995 audit report concluded that management had generally established systems for monitoring and controlling University operations. However, it needed to strengthen certain areas.

Section 1:

Overall Management And Operations

Can management assure the Legislature that the University's expenditures on information systems (1) are fully justified and (2) maximize potential return in terms of improving efficiency and service delivery? How?

- Information systems lacked certain planning, purchasing, and security controls which are important to ensure that management has information necessary to efficiently facilitate student services and decision-making. For example, the University had not implemented most of its established information resources priorities while projects having no documented priority were implemented.

Lack of oversight also increased the risk of inefficient computer-related purchases.

For more information, see SAO Report No. 95-038

Section 2:

Provide Instruction

Has management developed specific short- and long-term plans, goals, and objectives for developmental math, including specific target dates and ways to periodically measure progress? Has management reviewed the cost-benefit of reducing some of the larger classes?

- Nearly one-fifth of undergraduate students and half of entering students are enrolled in developmental math courses. The University faces a significant challenge in meeting extensive student service needs within its program.

In the fall 1993 semester, 5 of 11 sections offered for developmental algebra, the course which most students attempt, exceeded 290 students.

For more information, see SAO Report No. 95-038

Section 3: Auxiliary Enterprises

What is the current relationship between athletics expenditures and revenue generated by athletics? Has management developed a financial plan based on realistic estimates of revenues and expenditures? How is management ensuring that the budgets of athletics departments are scrutinized?

- Increasing transfers into athletics from other sources are reducing funds available for essential services and contributing to a decline in University financial reserves. Athletics expenditures have exceeded revenues (after student service fees) by an average of \$1.1 million for each of the past three years.

For more information, see SAO Report No. 95-038

Section 4: SAO Reports Affecting Agency

95-038 Management controls (January 1995)

Texas A&M University System Administrative And General Offices

The mission statement of the System Offices says:

The Texas A&M University System is a federation of public universities and state agencies focused on technology, science and management, enriched by the arts and humanities. serving people through education. leadership development, research and service.

At the end of fiscal year 1994, the System reported full-time equivalent employment totaling approximately 200.

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments?

- More than 92 percent of the derivative investments, or about \$6 billion, are in the State's largest portfolios. The level of investment in derivatives appears to be reasonable in the context of the total portfolios at these entities. The total book value of Texas A&M University System's investment portfolio was \$625 million at July 31, 1994. Derivative investments accounted for \$20.7 million, or 3.3 percent, of the total portfolio.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

Section 2:

SAO Reports Affecting Agency

- 93-098 Management letter - Seven Parts (March 1993)
- 94-041 Management letter - System Administration (March 1994)
- 94-051 Management letter - system (March 1994)
- 95-041 Management Controls -- System and Main (January 1995)

Texas A&M University

The mission statement of Texas A&M University states that:

Texas A&M University is a public institution dedicated to the development, dissemination, and use of knowledge in many and diversified academic and professional fields. The University is committed to assist students in their search for knowledge, to help them understand themselves and their cultural and physical environments, and to develop in them the wisdom and skills needed to assume responsibility in a democratic society. While continuing to fulfill its mission as a Land-Grant/Sea-Grant institution, the University is evolving and expanding its role to meet the changing needs of the state, national, and international communities. The University aspires to preeminence in teaching, research and public service, and, in the performance of all its missions, seeks quality that will positively effect the world of tomorrow.

A January 1995 audit report concluded that management's override of policies and procedures, laws, and channels of communication have eroded the effectiveness of control systems designed to protect resources from misuse and safeguard assets. This breakdown in controls has contributed to poor decision-making, ineffective use of resources, weak oversight of operations, and a general lack of accountability. The results have been increased costs of operations, unlawful activities by some members of executive management, increased risks and liabilities associated with System and University operations, and negative publicity.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$590 million and full-time equivalent employees totaling approximately 8,200.

Section 1:

Overall Management And Operations

What is management's timeframe for resolving important issues raised by the State Auditor about the inadequacy of systems intended to help run the University? How does management plan to emphasize the importance of resolving these issues to University personnel? What percentage of University expenditures does management estimate will be at unnecessary risk for inefficient or ineffective use while the issues are being resolved?

- The development of the cogeneration project was impaired by mismanagement. This project was to be the largest capital project in the University's history (estimated cost of \$75 million to \$120 million). Management's override of controls increased the risks to the System and University that the cogeneration project would fail. The project was terminated, prior to completion, in June 1994.
- The University has not managed its risks and liabilities associated with contracting for services. Consultant services for almost \$1 million were rendered without a contract in place. A contract for more than \$300,000 has

exceeded its dollar limit by more than double, without the appropriate approval of management.

- Not all departments are following University policies and procedures relating to human resources management. The Human Resources Department does not have monitoring processes to determine departmental compliance with applicable policies and procedures. In fiscal year 1994, the University expended nearly \$261 million in salaries, wages, and benefits for its 7,500 employees.
- Duplication of data entry into the various automated administrative systems creates inefficiencies for the University. If departments were able to eliminate processing duplicate transactions, the University could redirect approximately \$1 million each year to more productive uses.

For more information, see SAO Report Nos. 95-041.

Section 2:
Provide Instruction

How does management use information available to it about faculty workload and workload policies to monitor and evaluate the effectiveness of higher education instruction? In light of the State's current economic conditions, has management been able to use this information to identify areas where efficiency could be enhanced?

- State resources committed to the salaries of university faculty amounted to over \$1.5 billion for the 1994-1995 biennium. The four universities reviewed (Texas A&M University, Texas Tech University, University of Texas at Austin, and University of Houston) have established workload policies, providing an accountability system for holding faculty responsible for meeting workload requirements. Our auditors found that the following processes and information are available to report on accountability at the four universities studied:

Faculty are required to meet minimum workload requirements established in policies submitted to the Texas Higher Education Coordinating Board.

Tenure-track faculty classroom teaching load - an average of two courses per semester -- is consistent with that of public research universities in other states. While the portion of teaching load comprised of individual instruction could not be compared to other states, it is an important part of faculty teaching responsibility. Faculty workload encompasses activities beyond classroom and individual instruction. There is no standard method in use for

recording these activities or the time involved. While annual activity reports prepared by faculty list teaching, research, and service activities, the level of both faculty activities listed and reporting detail included varies considerably.

Class size varies by discipline and is a factor of course level. The majority of graduate students are enrolled in smaller classes, while many lower division courses are taught in larger classes.

For more information, see *SAO* Report No. 94-117.

Section 3:

Auxiliary Enterprises

Has the accuracy of financial information reported by the food services division been improved? How? What measures has management taken to ensure problems do not re-emerge in the future?

- Our auditors issued a qualified opinion on the financial statements of the Texas A&M University Department of Food Services for the fiscal year ended August 31, 1993, for two reasons. First, the amounts reported for fixed assets (and the related depreciation and fund equity) could not be determined to be materially accurate. Secondly, the cost of goods sold does not include the overhead costs associated with preparing the products for resale.

For more information, see *SAO* Report Nos. 94-139 and 94-140.

Section 3:

SAO Reports Affecting Agency

- 93-098 Management letter - Seven Parts (March 1993)
- 94-040 Management letter - A&M Main (March 1994)
- 94-117 Performance - Faculty workload policies (A&M Main) (May 1994)
- 94-139 Management controls - A&M Main Department of Food Services (August 1994)
- 94-140 Management controls - Financial statements of A&M Main Department of Food Services (August 1994)

Texas A&M University -- Kingsville

A May 1994 audit report concluded that management had generally established controls necessary to fulfill the University's mission. At the end of fiscal year 1994, the University reported full-time equivalent employment of approximately 700.

Section 1:

Auxiliary Enterprises

What is the current relationship between athletics expenditures and revenue generated by athletics? Has management developed a financial plan based on realistic estimates of revenues and expenditures? How is management ensuring that the budgets of athletics departments are scrutinized for potential cost savings?

- Budgeting and long-term planning for athletics need to be strengthened to prevent other student services and the financial health of the University from suffering. In 1992-1993, expenditures for athletic programs totaled \$1.15 million and generated approximately \$124,000 in revenue. These expenditures required \$1.03 million from other funding sources, primarily student service fees. (64 percent of the University's student service fees were spent on athletics.)

For more information, see SAO Report No. 94-115

Section 2:

SAO Reports Affecting Agency

94-039 Management letter - Kingsville (March 1994)
94-098 Accreditation - A&M Kingsville (April 1994)
94-115 Management Controls (May 1994)

East Texas State University

The mission statement of the University says:

East Texas State University, a multi-purpose, regional state university, is a major center of learning for the Northeast Texas region and serves Texas students as well as out-of-state and international students. The University provides strong undergraduate and graduate programs for selected professional and preprofessional majors as well as for a broad array of majors in the liberal and fine arts, and sciences. The programs, based on a strong foundation of University Studies requirements, lead to Baccalaureate, Master's and Doctoral degrees and are designed to prepare students to function in a rapidly changing and increasingly technological and multi-cultural society.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$61 million and full-time equivalent employment totaling approximately 900.

Section 1:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments? What happens to the University's investment portfolio if interest rates continue to rise?

Can management assure the Legislature that - in the future -- the University's cash management and investment practices will protect the University from potential cash flow problems and minimize the risk of potential loss of invested public funds?

Given the high level of investment in volatile derivatives, what risk is there that the University will experience cash flow problems in the future? What contingency plans has management developed for dealing with potential cash flow problems?

- The high concentration of volatile mortgage derivatives in University's investment portfolio creates the risk that future liquidity problems could occur. Specifically, 79 percent (\$16.7 million of \$21.2 million) of the book value (at July 31, 1994) of the University's total portfolio was in these investments. The market value of these investments at July 31, 1994, was \$9.1 million.

A December 1994 audit report on derivative investments among state agencies concluded that:

The lack of diversification and the extent of volatile investments indicates that management controls are not sufficient to protect invested public funds.

Investment personnel appear to place heavy reliance on brokers and dealers in making investment decisions.
Pressures on investment personnel to produce more income creates more risk for investment portfolios.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

Section 2:

SAO Report Affecting Agency

93-046 Correspondence letter (February 1993)
93-110 Accreditation (April 1993)
94-030 Management letter (February 1994)

University of Houston

An October 1994 audit report concluded that management at the University had generally established management controls to fulfill the System component missions. Additionally, a financial analysis of the System components provided no indications that management was expending funds inappropriately.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$361 million and full-time equivalent employees totaling approximately 6,450.

Section 1: Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments?

- More than 92 percent of the derivative investments, or about \$6 billion, are in the State's largest portfolios. The level of investment in derivatives appears to be reasonable in the context of the total portfolios at these entities. The total book value of University of Houston System's investment portfolio was \$321 million at July 31, 1994. Derivative investments accounted for \$9 million, or 2 percent, of the total portfolio.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

How has management addressed recommendations from the State Auditor to strengthen the monitoring and assessment of some functions and processes?

- Insufficient monitoring and assessment of non-endowment investments increases risk to principal.
- Inadequate support and review of expenditure transactions could result in unauthorized or inappropriate expenditures.
- Inconsistent activities and information within System components could produce misleading results and noncompliance situations.

For more information, see SAO Report No. 95-015.

Section 2:
Providing Instruction

How does management use the information available about faculty workload and workload policies to monitor the effectiveness of higher education faculty? In light of the State's current economic conditions, has management been able to use this information to identify areas where efficiency could be enhanced?

- State resources committed to the salaries of university faculty amounted to over \$1.5 billion for the 1994-1995 biennium. The four universities reviewed (Texas A&M University, Texas Tech University, University of Texas at Austin, and University of Houston) have established workload policies, providing an accountability system for holding faculty responsible for meeting workload requirements. Our auditors found that the following processes and information are available to report on accountability at the four universities studied:

Faculty are required to meet minimum workload requirements established in policies submitted to the Texas Higher Education Coordinating Board.

Tenure-track faculty classroom teaching load - an average of two courses per semester - is consistent with that of public research universities in other states. While the portion of teaching load comprised of individual instruction could not be compared to other states, it is an important part of faculty teaching responsibility. Faculty workload encompasses activities beyond classroom and individual instruction. There is no standard method in use for recording these activities or the time involved. While annual activity reports prepared by faculty list teaching, research, and service activities, the level of both faculty activities listed and reporting detail included varies considerably.

Class size varies by discipline and is a factor of course level. The majority of graduate students are enrolled in smaller classes, while many lower division courses are taught in larger classes.

For more information, see SAO Report No. 94-117.

Section 2:
SAO Reports Affecting Agency

93-094 Management letter (March 1993)
93-083 Accreditation - Victoria (March 1993)
93-094 Management letter - Clear Lake (March 1993)
94-057 Management letter (March 1994)

94-117 Performance - Faculty workload policies (May 1994)
95-015 Management controls (October 1994)

Midwestern State University

The mission statement of the University says:

Midwestern State University affords quality undergraduate and graduate higher education for the people of the State of Texas and is dedicated to the principle of academic excellence and productive scholarship. It offers a general education which provides the foundation for its students' specialized and professional studies as well as the basis for a lifetime of personal growth and productivity. Midwestern State University services the intellectual and cultural needs of the people and is a resource for future economic, social and political development of the State of Texas and the North Central Texas Region.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$75.6 million and full-time equivalent employment totaling approximately 535.

A March 1994 report on Midwestern State University indicated that the institution was fiscally sound. The financial posture as exemplified by campus and plant maintenance, debt levels, fund balances, and investments was adequate to meet needs at the time of the audit. However, controls over budgeting, property management, and purchasing should be improved to ensure the University remains financially sound.

Section 1:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments? What happens to the University's investment portfolio if interest rates continue to rise?

Can management assure the Legislature that -- in the future -- the University's cash management and investment practices will protect the University from potential cash flow problems and minimize the risk of potential loss of invested public funds?

Given the high level of investment in volatile derivatives, what risk is there that the University will experience cash flow problems in the future? What contingency plans has management developed for dealing with potential cash flow problems?

- The high concentration of volatile mortgage derivatives in University's investment portfolio creates the risk that future liquidity problems could occur. Specifically, 84 percent (\$10.3 million of \$12.2 million) of the book value (at July 31, 1994) of the University's total portfolio was in these investments. The market value of these investments at July 31, 1994, was \$6.3 million.

A December 1994 audit report on derivative investments among state agencies concluded that:

The lack of diversification and the extent of volatile investments indicates that management controls are not sufficient to protect invested public funds.

Investment personnel appear to place heavy reliance on brokers and dealers in making investment decisions.

Pressures on investment personnel to produce more income creates more risk for investment portfolios.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

How has management addressed the State Auditor's findings related to internal controls at the University?

- A conservative approach to budgeting had led to inaccurate expenditure projections and the use of fund transfers to control budget execution instead of intra-period benchmarks.
- A decentralized purchasing function, that was at times circumvented, had led to mismatching of purchases with correct fiscal years, time lags in recognizing encumbrances, and incomplete documentation of purchases.
- A significant desegregation of duties diminished the University's ability to appropriately safeguard property and equipment.
- The internal audit function had not been used in a manner which maximized its contribution to the overall control environment.

For more information, see SAO Report No. 94-096.

How has management addressed the State Auditor's findings related to the Board's operations?

- Data provided to the Board to support both routine decisions and major program changes was frequently verbal and even when written it is unstructured and does not provide alternatives.
- Training of board members was limited.
- Little documented evidence existed of the deliberation process used by the Board or the factors they consider in making decisions.

For more information, see *SAO* Report No. 94-096.

Section 2:

SAO Reports Affecting Agency

- 93-059 Correspondence letter (February 1993)
- 94-029 Management letter (February 1994)
- 94-095 Management controls (March 1994)
- 94-096 Management controls (March 1994)

Southwest Texas State University

The mission statement of the University says:

Southwest Texas State University's mission is to provide effective teaching supported by research for the advancement of knowledge and service to the community. Southwest Texas State University is a comprehensive public university committed to providing an intellectually stimulating and socially diverse climate for its graduate and undergraduate students, faculty, and staff. Southwest Texas State University believes the primary purpose of higher education is to promote learning and stimulate inquiry in an atmosphere of freedom.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$177 million and full-time equivalent employment totaling approximately 2,050.

Section 1:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments? What happens to the University's investment portfolio if interest rates continue to rise?

Can management assure the Legislature that -- in the future -- the University's cash management and investment practices will protect the University from potential cash flow problems and minimize the risk of potential loss of invested public funds?

Given the high level of investment in volatile derivatives, what risk is there that the University will experience cash flow problems in the future? What contingency plans has management developed for dealing with potential cash flow problems?

- The high concentration of volatile mortgage derivatives in University's investment portfolio creates the risk that future liquidity problems could occur. Specifically, 62 percent (\$34.2 million of \$54.7 million) of the book value (at July 31, 1994) of the University's total portfolio was in these investments. The market value of these investments at July 31, 1994, was \$21.5 million.

A December 1994 audit report on derivative investments among state agencies concluded that:

The lack of diversification and the extent of volatile investments indicates that management controls are not sufficient to protect invested public funds.

Investment personnel appear to place heavy reliance on brokers and

dealers in making investment decisions.

Pressures on investment personnel to produce more income creates more risk: for investment portfolios.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

Section2:

SAO Reports Affecting Agency

93-085 Management letter (February 1993)

94-073 Management letter (February 1994)

Sul Ross State University

The mission of Sul Ross State University is to assure quality learning, scholarship, and public service for the people of West Texas. The University is committed to access to higher education for all West Texans and to efficiency in the use of scarce resources. At the end of fiscal year 1994, the University reported expenditures totaling approximately \$23 million and full-time equivalent employment totaling approximately 380.

Section 1:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments? What happens to the University's investment portfolio if interest rates continue to rise?

Can management assure the Legislature that -- in the future -- the University's cash management and investment practices will protect the University from potential cash flow problems and minimize the risk of potential loss of invested public funds?

Given the high level of investment in volatile derivatives, what risk is there that the University will experience cash flow problems in the future? What contingency plans has management developed for dealing with potential cash flow problems?

- A December 1994 audit report on derivative investments among state agencies concluded that:

The lack of diversification and the extent of volatile investments indicates that management controls are not sufficient to protect invested public funds.

Investment personnel appear to place heavy reliance on brokers and dealers in making investment decisions.

Pressures on investment personnel to produce more income creates more risk for investment portfolios.

44 percent (\$4.1 million of \$9.4 million) of the book value (at July 31, 1994) of the University's total portfolio was in these investments. The market value of these investments at July 31, 1994, was \$2.5 million.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates,

the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

Section 2:

SAO Reports Affecting Agency

93-085 Management letter (February 1993)

94-073 Management letter (February 1994)

Texas Southern University

Texas Southern University was established in 1947 for the purpose of serving the black population of Texas, a mission which the University quickly broadened to encompass providing educational opportunities for all Texas citizens. The University is a special purpose institution for urban programming which 1) offers baccalaureate, master's, professional, and doctorate degrees; 2) provides services in academic and non-academic areas; 3) fosters quality research; and 4) utilizes its resources to improve the delivery of human services and apply knowledge and technology to pressing social and economic problems.

At the end of fiscal year 1994, the University reported expenditures totaling approximately \$114 million and full-time equivalent employees totaling approximately 1,050.

An August 1994 audit report concluded that a lack of sufficient oversight by executive management at Texas Southern University had resulted in ineffective management controls in the Registrar's Office, athletic operations, and the Student Financial Aid Office. Over the last several years, the Board has worked to strengthen the University's management controls.

Section 1: Overall Management And Operations

What assurance can you give that proper oversight exists to ensure that the University is managed weD so that:

Non-educational expenditures (band activities) are operating with proper operational guidelines?

The Federal Family Loan Program and the Pell Grant Program function within Federal Guidelines?

Adequate controls are in place in the Registrar's Office?

The financial condition of athletic operations is sound?

What specific actions has management taken to resolve the issues raised by the State Auditor and ensure that they never resurface?

- The University is not adequately administering its two largest student financial assistance programs. (The Federal Family Loan Program and the Pell Grant Program had combined expenditures of \$34,127,000 for the 1993 fiscal year.) The University disbursed aid to students in excess of their need and disbursed aid to persons who were not students.
- Significant control weaknesses exist in the Registrar's Office. In some cases, transcripts have been improperly altered, and ineligible students are allowed to register for classes. Management has been aware of these weaknesses for over a year but has taken little action to resolve them.
- The Board has not required management to develop a long-range plan to control athletic operating losses. The athletic operations have fluctuated

significantly over the last several years, ranging from a \$161,000 profit in 1987 to a \$495,000 loss in 1993.

For more information, see SAO Report No. 94-145.

Section 2:

SAO Reports Affecting Agency

93-092 Management letter (March 1993)
93-155 Investigation - Band (August 1993)
94-046 Management letter (March 1994)
94-145 Management controls (August 1994)

Texas Tech University And Texas Tech University Health Science Center

The mission of Texas Tech University is to provide the highest quality of education and instruction in all colleges, and to gain national and international recognition in those fields which are designated as areas of excellence; to be a recognized research institution of distinction, while maintaining the highest level of commitment to its teaching mission; and to be, above all, a university known throughout the state and the nation as a quality service oriented institution, as evidenced by its supportive and caring environment and by the cordial interactions between all of the people it serves.

At the end of fiscal year 1994, the Texas Tech University reported expenditures totaling approximately \$292 million and full-time equivalent employees totaling approximately 4,100.

The mission of Texas Tech University Health Sciences Center is: to provide the highest quality of education and instruction in all colleges and to gain national and international recognition in those fields which are designated as areas of excellence; the mission of the center is also to be a recognized research institution of distinction, while maintaining the highest level of commitment to its teaching mission; and to be, above all, a university known throughout the state and the nation as a quality service oriented institution, as evidenced by its supportive and caring environment and by the cordial interactions between all of the people it serves.

The Health Science Center reported expenditures totaling approximately \$238 million and full-time equivalent employees totaling approximately 2,950.

Section 1:

Overall Management And Operations

Given the high concentration of investment in derivatives, what risk is there that the University will experience liquidity problems in the future? What steps is management taking now to ensure that the University does not experience cash flow problems or the loss of public funds? What happens if interest rates continue to rise?

- A December 1994 audit report on derivative investments among state agencies concluded that inadequate diversification of investment portfolios increases the risk of future liquidity problems. 89 percent of Texas Tech's total portfolio (book value of \$274 million at July 31, 1994) was in derivative investments.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

section 2:
Providing Instruction

How does management use the information available about faculty workload and workload policies to monitor the effectiveness of higher education faculty? In light of the State's current economic conditions, has management been able to use this information to identify areas where efficiency could be enhanced?

- State resources committed to the salaries of university faculty amounted to over \$1.5 billion for the 1994-1995 biennium. The four universities reviewed (Texas A&M University, Texas Tech University, University of Texas at Austin, and University of Houston) have established workload policies, providing an accountability system for holding faculty responsible for meeting workload requirements. Our auditors found that the following processes and information are available to report on accountability at the four universities studied:

Faculty are required to meet minimum workload requirements established in policies submitted to the Texas Higher Education Coordinating Board.

Tenure-track faculty classroom teaching load - an average of two courses per semester -- is consistent with that of public research universities in other states. While the portion of teaching load comprised of individual instruction could not be compared to other states, it is an important part of faculty teaching responsibility. Faculty workload encompasses activities beyond classroom and individual instruction. There is not standard method in use for recording these activities or the time involved. While annual activity reports prepared by faculty list teaching, research, and service activities, the level of both faculty activities listed and reporting detail included varies considerably.

Class size varies by discipline and is a factor of course level. The majority of graduate students are enrolled in smaller classes, while many lower division courses are taught in larger classes.

For more information, see SAO Report No. 94-117.

Section 3:
SAO Reports Affecting Agency

93-049 Correspondence letter (February 1993)

94-005 Performance -IDCJ Health services (September 1993)

- 94-026 Management letter (February 1994)
- 94-075 Management letter (March 1994)
- 94-086 Accreditation (March 1994)
- 94-087 Accreditation (March 1994)
- 94-117 Performance - Faculty workload policies (May 1994)
- 95-035 Briefing - Derivative investments (December 1994)

Texas Woman's University

Texas Woman's University is a comprehensive public university, primarily for women, offering baccalaureate, master's and doctoral degree programs. A teaching and research institution, the university emphasizes the liberal arts and specialized or professional studies. At the end of fiscal year 1994, the University reported expenditures totaling approximately \$88 million and full-time equivalent employment totaling approximately 1,400.

Section I:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments? What happens to the University's investment portfolio if interest rates continue to rise?

Can management assure the Legislature that - in the future - the University's cash management and investment practices will protect the University from potential cash flow problems and minimize the risk of potential loss of invested public funds?

Given the high level of investment in volatile derivatives, what risk is there that the University will experience cash flow problems in the future? What contingency plans has management developed for dealing with potential cash flow problems?

- A December 1994 audit report on derivative investments among state agencies concluded that:

The lack of diversification and the extent of volatile investments indicates that management controls are not sufficient to protect invested public funds.

Investment personnel appear to place heavy reliance on brokers and dealers in making investment decisions.

Pressures on investment personnel to produce more income creates more risk for investment portfolios.

34 percent (\$10.3 million of \$29.7 million) of the book value (at July 31, 1994) of the University's total portfolio was in these investments. The market value of these investments at July 31, 1994, was \$6.6 million.

Derivatives are [mandal instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

Section 2:

SAO Reports Affecting Agency

- 93-016 Accreditation (November 1992)
- 93-089 Management letter (March 1993)
- 93-147 Investigation - Houston housing office (July 1993)
- 94-062 Management letter (March 1994)

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Criminal Justice, Texas Department of

The Texas Department of Criminal Justice was created in 1989 to consolidate functions previously handled by three different agencies. The overall mission of the Texas Department of Criminal Justice (TDCJ) as outlined by Sec. 493.001, Texas Government Code is to exercise responsibility for the confinement, supervision, and rehabilitation of felons; the development of a system of state and local punishment, supervision, and rehabilitation programs and facilities; and the reintegration of felons into society after release from confinement. In addition, the Texas Department of Criminal Justice strives to ensure effective fiscal responsibility and to comply with laws and court-mandated requirements. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$2.4 billion and full-time equivalent employees totaling approximately 33,450.

A May 1993 audit report concluded that there were areas where the Department could be more efficient and spread limited resources further. More needed to be done to consolidate support activities within the Institutional Division, improve management information, expand employee training, improve the system for support services to the prison units, and improve the measurement of program success.

Section 1:

Overall Management And Operations

What is the current status of the Criminal Justice Information System? Is the information in the system accurate and up-to-date? How does the Department use the information to improve management of its own operations? to improve the way services are provided to ensure the safety of communities?

- Agencies are experiencing system development problems. Texas state agencies spent over \$463 million on data processing equipment and employee salaries in fiscal year 1991. We did not find effective controls for monitoring automated systems at the agencies or at the Department of Information Resources. Millions are spent on automated systems that often do not deliver results.

For more information, see SAO Report No. 93-038 and report from the Quality Assurance Team.

Section 2:

Operating Parole System

What changes have taken place in the parole system to address the high recidivism rates?

- Out of 100 offenders placed on parole, almost half of them will be back in prison after three years. These recidivism rates indicate that parole does not work to rehabilitate and reintegrate parolees.

For more information, see SAO Report No. 93-124.

Section 3:
Incarcerating Felons

How have you improved coordination and reduced health care costs related to parolees with special needs?

- Lack of coordination (between regional medical facilities, the University of Texas Medical Branch at Galveston) fosters inefficient operations. For example, delays in releasing parolees with special needs under the regular parole program may have cost the State over \$1 million a year in medical costs alone since departmental consolidation in 1990. Through coordination, the Division and Texas Tech Health Sciences Center could save approximately \$19,000 in reduced cost of **MV** screenings.

For more information, see SAO Report No. 94-005.

How is TDCJ controlling construction costs? What is TDCJ doing to improve its ability to ensure that prison construction is completed on schedule?

- Our auditors did not find any significant amounts that could be cut from construction costs, although they did find areas where the State can continue to squeeze the cost of building prisons. Statewide, construction costs can be more effectively controlled by ensuring that constructability review programs are in place, that there is an effective and thorough change order review process, that certificates of insurance are carefully reviewed, and that alternative disputes resolution measures are used in all contracts for construction.

For more information, see SAO Report Nos. 94-142 and 95-031.

- The construction schedules of ten prison projects our auditors reviewed, totaling 19,750 beds, all exceeded the planned completion dates by 12 to 47 percent of the original schedules. These projects were regular prisons and transfer facilities, started in 1990 through 1993, and did not include any of the emergency bed additions to existing prison facilities approved in January 1994.

The Department generally used preset schedule durations for each type of prison facility. This method of schedule preparation does not factor in geographic conditions specific to each project, such as soil conditions and

rain frequency. Only one of the projects added time to the preset schedule durations for special site conditions. Even under ideal conditions, the schedules are of short duration for the amount of work necessary to complete a project.

For more information, see SAO Report Nos. 93-033 and 93-142.

Can management assure the Legislature that the University of Texas Medical Branch at Galveston does not receive patients from the Texas Department of Criminal Justice who could have been treated in unit or regional medical facilities? Can management assure the Legislature that the cost of treating TDCJ inmates is minimized? How?

- Under the current budgeting and planning process, the Health Services Division of the Texas Department of Criminal Justice has incentives to use prison hospital services at UTMB Galveston rather than its own unit or regional medical facilities regardless of the cost to the State or the quality of services provided. The University of Texas Medical Branch at Galveston receives a \$32 million direct lump-sum appropriation to run the prison hospital in addition to the \$76 million appropriated to the Division for medical care. Every health service performed and inmate treated at UTMB Galveston's prison hospital decreases the financial burden on IDCJ's Health Services Division.

For more information, see SAO Report No. 94-005.

Section 4: Financial Reporting

What controls are in place to improve the reporting of bond information so it reflects the real picture?

- Bond information in the Supplemental Bond Schedules of the annual financial report was not accurately reported. \$2 million in principal and \$991,000 in interest paid for the Anderson County Refunding Revenue bonds were misclassified. Various other miscellaneous expenditure and revenue amounts were also misclassified.

For more information, see SAO Report No. 94-089.

Section 2:

SAO Reports Affecting Agency

- 93-033 Performance - Prison construction (January 1993)
- 93-071 Correspondence letter (March 1993)
- 93-124 Management controls (May 1993)
- 93-142 Follow up - Prison construction (August 1994)
- 94-005 Performance - Health Services Division (September 1993)
- 94-089 Management letter (March 1994)

Law Enforcement Officer Standards and Education, Texas Commission on

The Texas Commission on Law Enforcement Officer Standards and Education was first created in 1965. The mission of the agency is to ensure a Texas where people are safe and secure from harm by developing the human resources who provide law enforcement services within our communities. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$1.9 million and full-time equivalent employees totaling approximately 37.

A September 1994 audit report concluded that the lack of effective management controls had impeded the agency from effectively carrying out its mission. The agency's management information system was not reliable, financial and human resource controls needed to be improved, performance and efficiency goals were not being met, and problems brought to management's attention were not acted upon in a timely manner.

Section 1:

Overall Management and Operations

What plans does management have to ensure that accurate information is used to ensure compliance with statutory and agency rule requirements?

- The data contained within the automated system was unreliable. As a result, the agency was not able to ensure compliance with statutory and agency rule requirements.

For more information, see SAO Report No. 95-002.

Can management assure the Legislature that the agency's financial resources are adequately protected from loss, misuse, or abuse?

- Controls over financial resources bypass reasonable safeguards. The accounting department is both approving and processing expenditures. The internal accounting system is also not reconciled to USAS in a timely manner. As a result, controls are not adequate to ensure that transactions are properly authorized and expended. This created the potential for inaccuracies in accounting records to exist, and the agency may experience difficulties in preparing the annual [mandal report].

For more information, see SAO Report No. 95-002.

What actions has management taken to ensure that personnel receive the feedback and direction necessary to promote efficiency?

- The administration of the human resource function is an additional responsibility for the accounting department. Performance evaluations are

not administered on an annual basis, training critical to performing job tasks is not provided, and employee job descriptions have not been updated. As a result, merit raises have been given without support, and the agency is not complying with legislation which requires annual performance evaluations. Additionally, lack of training may reduce employee productivity and professional development.

For more information, see *SAO* Report No. 95-002.

Section 2:

SAO Reports Affecting Agency

93-136 Classification (July 1993)

95-002 Management controls (July 1994)

Public Safety, Department of

The Texas Department of Public Safety was first created 1935. The Texas Department of Public Safety's mission is to serve the people of the State of Texas by enforcing the laws protecting the public safety, by promoting the public safety, and by providing for the prevention and detection of crime. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$323.5 million and full-time equivalent employees totaling approximately 6,000.

Section 1:

Overall Management And Operations

What has management done to improve development of automated systems?

- The methods used by the Department in planning and dedicating resources for automated system development need to be improved. The mainframe computer purchased in August 1994, costing approximately \$4.2 million, was not budgeted.

For more information, see SAO Report No. 95-017

What is the current status of the Criminal Justice Information System? Is the information in the system accurate and up-to-date? How does the Department use the information to improve management of its own operations? to improve the way services are provided to ensure the safety of communities?

- Agencies are experiencing system development problems. Texas state agencies spent over \$463 million on data processing equipment and employee salaries in fiscal year 1991. We did not find effective controls for monitoring automated systems at the agencies or at the Department of Information Resources. Millions are spent on automated systems that often do not deliver results.

For more information, see SAO Report No. 93-038 and report from the Quality Assurance Team.

Section 2:

SAO Reports Affecting Agency

93-072 Management letter (March 1993)
94-054 Management letter (February 1994)
95-017 Briefing -Information review (October 1994)

Youth Commission, Texas

The Texas Youth Commission was first created in 1957 as the Texas Youth Council. The mission of the Texas Youth Commission is to protect the community by controlling the commission of unlawful acts by youth committed to the agency and under conditions designed for the youth's welfare and the interests of the public; to enable youth committed to the agency to become productive and responsible citizens; to rehabilitate and re-establish in society youth adjudged delinquent and committed to the agency; and to study problems of juvenile delinquency, focus public attention on special solutions for problems, and assist existing agencies and programs aimed at preventing delinquency. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$117.5 million and full-time equivalent employees totaling approximately 2,100.

Section 1:

Overall Management And Operations

What is the status of coordination efforts with the Juvenile Probation Commission and local juvenile probation departments?

- Increasing crime, limited resources, and fragmentation limit the success of the juvenile justice system. The juvenile justice system operates without a statewide, coordinated plan. As a result, systemic issues such as lack of necessary services and outdated laws have not always received the necessary attention.

For more information, see SAO Report No. 94-009.

Section 2:

Provide Rehabilitation

What steps have you taken to increase the services for specialized treatment programs?

- Youth in the juvenile justice system do not always receive the services they need. For example, 48 percent of Texas counties with increasing "gang" activity have no programs for gang members, 35 percent of counties with increasing numbers of juvenile sex offenders do not have services available to rehabilitate these youth, and 48 percent of counties do not have programs for serious repeat offenders.

For more information, see SAO Report No. 94-009.

What efforts are occurring to increase crime prevention and intervention efforts in order to prevent expensive "back-end" incarceration?

- The Texas juvenile justice system is in need of rehabilitation. Often, this system is not succeeding in rehabilitating young offenders or protecting communities from juvenile crime and violence. Increasing crime, limited resources, and the high cost of juvenile commitment suggest that Texas should shift its focus from expensive "back-end" incarceration to more cost-effective prevention and intervention programs.

For more information, see *SAO* Report No. 94-009.

Section 3:
Protect Public

What improvements have you made to construction management:

Is the board getting regular status reports on projects?

Does the board now have to approve changes in project scope so that planned capacity goals are met?

What improvements are you making to your site selection process?

What controls are in place to improve your cost estimations on projects?

- Statewide, construction costs can be more effectively controlled by ensuring that constructability review programs are in place, that there is an effective and thorough change order review process, that certificates of insurance are carefully reviewed, and that alternative disputes resolution measures are used in all contracts for construction.

For more information, see *SAO* Report No. 95-031 and Special Project to Joint Interim Committee on the Family Code.

Section 4:
SAO Reports Affecting Agency

| 94-009 Performance - Juvenile justice system (November 1993)

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General Land Office And Veterans' Land Board

The mission of the Texas General Land Office is to serve the school children, veterans, and all people of Texas by preserving their history, protecting their environment, expanding economic opportunity, and maximizing state revenue through innovative administration and prudent stewardship of state lands and resources. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$320 million and full-time equivalent employees totaling approximately 650.

Audit reports released in 1994 concluded that:

- Management at the General Land Office had taken steps to ensure that the royalty revenue audit functions operate efficiently and effectively. The agency collected slightly over \$128.7 million of royalty revenue during the 1993 fiscal year.
- Management controls over the systems of compensation and salary administration could be strengthened. Several administrative support/secretarial positions were classified in higher salary groups than could be justified by the duties and responsibilities performed and job classes assigned to the program services officers in twelve divisions varied considerably.

Section 1:

Overall Management And Operations

What is the current value of the agency's derivative investments? What plans does management have for the future of these investments?

- More than 92 percent of the derivative investments, or about \$6 billion, are in the State's largest portfolios. The level of investment in derivatives appears to be reasonable in the context of the total portfolios at these entities. The total book value of General Land Office's investment portfolio was 376 million at July 31, 1994. Derivative investments accounted for \$39 million, or 10.4 percent, of the total portfolio.

Derivatives are financial instruments whose value is linked to, or "derived" from, changes in interest rates, currency rates, and stock and commodity prices. Uncertainty exists regarding the exact timing of principal return because the mortgage payments are influenced by changes in interest rates, the current economic climate, and the geographic makeup of the underlying mortgage loans.

For more information, see SAO Report No. 95-035.

Has management corrected mistakes in classification of employees identified by the State Classification Office? Can management assure the Legislature that these problems will not resurface in the future? How?

- Auditors found several cases of misclassifications at the General Land Office. The Office's management controls over systems of compensation and

salary administration can be strengthened. The Office should strengthen its job analysis process, which reviews and verifies the duties and responsibilities of positions. Proper classification for positions should then be determined based on the duties performed. 47 positions were found to be misclassified. A sample of 194 out of 511 full-time classified positions were reviewed.

For more information, see *SAO* Report No. 94-129.

Why were several administrative positions classified in higher salary groups than justified by the responsibilities of the work? What was the root cause of the problem?

- Several administrative support/secretarial positions have been classified in higher salary groups than can be justified by the duties and responsibilities being performed.

For more information, see *SAO* Report No. 94-129.

Section 2:

Protecting The Environment

What is the current status of cooperation and coordination among agencies with water resource management responsibilities? What has management done to ensure that activities requiring cooperation and coordination are identified and successfully executed?

- Texas lacks a formal structure to build consensus on water policy and establish comprehensive statewide goals. Individual plans are formulated for water supply and water quality, and a separate plan was being formulated for coastal zone management. Conspicuously absent are mechanisms to integrate these issues of water supply, water quality, and environmental concerns with individual agency planning processes and to establish linkages between planning and implementation strategies.

For more information, see *SAO* Report No. 93-081.

Section 3:

SAO Reports Affecting Agency

93-061 Correspondence letter (February 1993)

93-081 Briefing - Water resource management (March 1993)

94-093 Management letter (March 1994)

, 94-129 **Classification (August 1994)**
95-014 Special- Royalty audit (October 1994)

Natural Resource Conservation Commission, Texas

The Natural Resource Conservation Commission was created on September 1, 1993, by combining the functions of the Texas Water Commission, Texas Air Control Board, and several smaller boards and programs. The Natural Resource Conservation Commission's mission is to preserve the State's environment and to ensure wise, productive use of the State's natural resources. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$282 million and full-time equivalent employees totaling approximately 2,800.

Section 1:

Overall Management And Operations

What is the current status of the reorganization of agencies into the Texas Natural Resource Conservation Commission? What remains to be done? What plans do you have for making needed improvements to the "management infrastructure" of the agency? What benefits - in terms of cost savings or enhanced service delivery -- has the State realized as a result of the reorganization?

How are you coordinating the entire permitting and enforcement process in order to ensure more equitable and uniform interpretation and enforcement?

What potential changes has management considered to better align funding and programs, especially potential changes to funding restrictions, in light of fact that management has had to adjust programs in different areas (especially water) due to a lack of funds?

Section 2:

Protecting Public Health

What controls has management put in place to make sure that requests for federal reimbursements are not delayed?

- The Commission delayed requests for reimbursement of \$24 million out of \$23 million in federal expenditures tested from the Hazardous Substance Response Trust Fund (Superfund) Program. The delays have cost the State an estimated \$130,000 in interest.

For more information, see SAO Report No. 94-077.

What is the status of the Petroleum Storage Tank problem related to unpaid claims? How many unpaid claims exist? How are you working with the customers to resolve this issue? What percent of Petroleum Storage Tanks are presently in compliance with EPA standards?

- As of October 20, 1992, there were 1,357 reimbursement applications in various phases of reimbursement process for work approved and completed. Unpaid claims for the 1,357 applications is \$134,164,676. Commission staff estimates that action to clean up an estimated 50,000 leaking tanks may cost as much as \$2.5 billion.

For more information, see SAO Report No. 93-030.

Section 3:

Managing Texas' Water

What is the current status of coordination and cooperation among agencies with water resource management responsibilities? What is management doing to ensure that activities that require cooperation are identified and successfully executed?

- Texas lacks a formal structure to build consensus on water policy and establish comprehensive statewide goals. Individual plans are formulated for water supply and water quality, and a separate plan was being formulated for coastal zone management. Conspicuously absent are mechanisms to integrate these issues of water supply, water quality, and environmental concerns with individual agency planning processes and to establish linkages between planning and implementation strategies.

For more information, see SAO Report No. 93-081.

Section 4:

Increasing Compliance

What initiatives have you taken to increase voluntary compliance with goals of TNRCC? How will you measure the effects of your efforts? (How do you measure voluntary compliance?)

Section 5:

Ensuring Air Quality

What actions have you taken to avoid possible U.S. Environmental Protection Agency sanctions related to implementation of the Clean Air Act?

Section 6:

SAO Reports Affecting Agency

93-030 Follow-up (January 1993)
93-081 Briefing - Water resource management (March 1993)
93-082 Management letter (March 1993)
93-152 Special- Petroleum Storage Tank letter (August 1993)
94-028 Management letter (February 1994)
94-077 Management letter (March 1994)
95-012 Statutory - Penning processes (October 1994)
New Report to be issued in February 1995

Water Development Board

The Water Development Board was created in 1957 by statute and amendment to the Texas Constitution. The Water Development Board's mission is to exercise leadership in the conservation and responsible development of water resources for the benefit of the citizens, economy, and environment of Texas. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$24.7 million, proprietary fund expenditures totaling approximately \$83 million, and full-time equivalent employees totaling approximately 280.

Section 1: Water Resource Planning

What is the current status of cooperation and coordination among agencies with water resource management responsibilities? What has management done to ensure that activities requiring cooperation and coordination are identified and successfully executed?

- Texas lacks a formal structure to build consensus on water policy and establish comprehensive statewide goals. Individual plans are formulated for water supply and water quality, and a separate plan was being formulated for coastal zone management. Conspicuously absent are mechanisms to integrate these issues of water supply, water quality, and environmental concerns with individual agency planning processes and to establish linkages between planning and implementation strategies.

For more information, see SAO Report No. 93-081.

Section 2: Meeting Texas' Water Needs

What is the current status of the Economically Distressed Areas (Colonias) water and wastewater services program? Can management assure the Legislature that available funds have been used to maximize the impact of the program? How? For example, how many families have hooked up to completed water and wastewater projects?

- Available funding would provide over half of the \$696 million estimated funding requirements to provide adequate water and wastewater services to the border area colonias. The Water Development Board's Economically Distressed Areas Program projects, either approved or in the planning stage, will serve more than 113,000 colonias residents at a cost of \$169 million. At the time of our audit, the Board was unable to estimate how many of the 167,000 remaining residents would be left without adequate services.

The Board's selection process of "first-come, first-served" did not ensure that communities with the greatest need would have access to program funds. Small, rural communities which were not affiliated with a large service provider had difficulty obtaining sponsorship and needed assistance in preparing the necessary facilities planning documents. At the time of our audit, the Board had recognized the problem and began a U.S. EPA funded program called Colonias Wastewater Treatment.

For more information, see SAO Report No. 93-150.

What is the status of measures needed to prevent the expansion of existing colonias or the establishment of new ones?

- Development and growth of colonias continues in areas where enforcement is lax or rules are lacking. Currently, only 12 of 27 counties meeting Economically Distressed Areas Program eligibility criteria have formally adopted Model Subdivision Rules designed to stop the growth of new colonias. 94 percent of the population of colonias reside in these 12 counties.

For more information, see SAO Report No. 93-150.

Section 3:

SAO Reports Affecting Agency

93-009 Follow-up (October 1992)
93-077 Management letter (March 1993)
93-081 Briefing (March 1993)
93-150 Performance - Colonias (November 1993)
94-028 Management letter (February 1994)
94-083 Management letter (March 1994)

Commerce, Department of

The Texas Department of Commerce was created by the 70th Legislature in 1987. The mission of the Department is to serve its customers by building strategic partnerships that create economic opportunity and prosperity for all Texans. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$32.5 million, pass-through and federal assistance totaling \$213 million, and full-time equivalent employees totaling approximately 210.

Over the last two years, audit reports have concluded that the Department generally had effective policies, procedures, and processes to manage the 1994 operating budget of \$28.7 million -- except for performance monitoring. The Department also made significant progress in resolving prior audit issues and improving overall management effectiveness, with respect to the Job Training Partnership Act Program.

Section 1:

Overall Management And Operations Of the Department

What performance expectations does the Department set for local service delivery providers (subrecipients and subcontractors)? How does management emphasize the importance of monitoring results obtained by local service delivery providers to Department personnel?

- Statewide, performance monitoring of local service delivery providers should be improved. At the Department, auditors recommended improvements in the Department's efforts to monitor local service delivery providers.

For more information, see *SAO* Report Nos. 93-080 and 95-013.

Section 2:

Workforce/Economic Growth

How has management worked to improve coordination among JTPA and the Job Opportunities and Basic Skills (JOBS) program administered by the Department of Human Services at the local level?

- The number of referrals between JTPA and JOBS has declined. Improved communication at the local level could help DHS maintain federally required participation rates for the JOBS program, which accounted for \$40 million of federal assistance.

For more information, see *SAO* Report No. 94-082.

Section 3:
Business Development

What is the current status of efforts to update the State's economic development plan? How can successful coordination and implementation of the plan among the State's 13-plus economic development agencies be encouraged?

- State law requires the Department to develop a plan for economic development. The Department had a planning effort underway at the time of our audit. However, since 1989, when the State's last economic development plan was developed, agencies had planned and executed their programs, for the most part, independently.

For more information, see SAO Report No. 94-114.

What actions has management taken to ensure that the Legislature has the information and assistance needed to keep certain economic development statutes up to date?

- In accordance with statutory requirements, auditors recommended that statutes be changed to discontinue the Department's Comprehensive Permit Handbook and to require agencies to submit timely information to TexasOne, the State's electronic information system.

For more information, see SAO Report No. 95-012.

What has management done to clarify and enhance the benefits of the Texas Enterprise Zone program?

- The 132 projects invested no less than \$178 million in capital throughout Texas and contributed \$11 million in state sales tax revenue as a result of construction, \$5 million of which was rebated back to the projects. However, an evaluation of the best available data indicated that the program had a minimal impact on unemployment and other socioeconomic conditions, local tax bases and tax revenues, and businesses' decisions to locate in zones.

For more information, see SAO Report No. 95-005.

What steps has management taken to promote greater accountability over foreign office operations?

- Better information was needed to monitor the performance of the \$1.2 million foreign office operations in Germany, Taiwan, Japan, and Mexico. Reports on foreign office operations did not include information on the effectiveness of operations. In addition, services were duplicated in Mexico City contracts.

For more information, see SAO Report No. 95-013.

Has the Department begun to verify job creation under the Rural Economic Development Loan program? Has the Department developed a strategy to encourage Historically Underutilized Businesses to participate in the program?

- The Department had not verified the number of jobs created from the program. Agency records showed that only 1 of 67 businesses that applied was a Historically Underutilized Business. The Department had \$6 million available for loans.

For more information, see SAO Report No. 94-130.

Section 4:

SAO Reports Affecting Agency

- 93-080 Management letter (March 1993)
- 93-109 Briefing - Summary of JTPA audits (April 1993)
- 93-157 Special- Rural Economic Development Loan program (August 1993)
- 94-080 Management letter (March 1994)
- 94-082 Performance - JOBS program (March 1994)
- 94-114 Performance - Texas' economic development programs (April 1994)
- 94-130 Statutory - Rural Economic Development Loan program (July 1994)
- 95-005 Performance - Enterprise Zone program (October 1994)
- 95-012 Statutory - Selected permitting processes (October 1994)
- 95-013 Management controls (October 1994)

Housing and Community Affairs, Department of

The Texas Department of Housing and Community Affairs was created on September 1, 1991, by consolidating two agencies. The Texas Department of Housing and Community Affairs' mission is to help Texans achieve an improved quality of life through the development of better communities. At the end of fiscal year 1994, the agency reported full-time equivalent employees totaling approximately 240.

section 1:

Overall Management And Operations

How are you monitoring and controlling your federal programs to ensure that subrecipients are performing as required and receiving proper payments?

- Two of six subrecipients tested in the Low-Income Home Energy Assistance program received initial cash advances that exceeded monthly program requirements. One subrecipient received \$20,000 in March 1992, but did not report expenditures (\$11,476.02) until July 1992. The other subrecipient received \$151,434 in March 1992, but only reported cumulative expenditures of \$15,988 through the end of April 1992.

For more information, see SAO Report No. 93-095.

- The Department does not have assurance that all subrecipient audit reports are reviewed and that corrective action is taken on audit findings within six months after receipt of the report. Four instances of noncompliance were noted among 30 reports tested. Of 30 audit reports tested, three were reviewed after six months had passed, and one report received no review.

For more information, see SAO Report No. 94-092

Section 2:

SAO Reports Affecting Agency

- 93-095 Management letter (March 1993)
- 1 94-092 Management letter (March 1994)

Transportation, Texas Department of

The Texas Department of Transportation was created in 1991 by merging the State Department of Highways and Public Transportation (first created as the State Highway Department in 1917), the Texas Department of Aviation, and the Texas Motor Vehicle Commission. The mission of the Department is to provide the people of Texas with a transportation system that meets the social, economic, and environmental needs of the State; to be a leader in the development of a state transportation network that capitalizes on the efficiencies of the various modes of transportation in promoting economic and environmental benefits; and to provide customer-oriented transportation related services for the State's citizens, visitors, and commerce. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$2.9 billion and full-time equivalent employees totaling approximately 16,100.

A November 1994 audit report concluded that the Department had begun many initiatives to increase efficiency of operations. However, the report recommended that management controls over the evaluation of operations should be strengthened to ensure adequate oversight and allocation of resources.

Section 1:

Overall Management And Operations

What is the current status of the reorganization of agencies into the Texas Department of Transportation? What remains to be done? What benefits - in terms of cost savings or enhanced service delivery - has the State realized as a result of the reorganization?

- The Texas Motor Vehicle Commission, Texas Department of Aviation, and the Texas State Department of Highways and Public Transportation merged to become the Texas Department of Transportation. For fiscal year 1993, the Department had revenues of \$1.7 billion and other financing sources of \$1.3 billion. Of the \$3 billion, \$2 billion (or 67 percent) was expended on highway construction and maintenance.

The Department underwent a major reorganization due to the retirement of 1,370 employees at the beginning of fiscal year 1994. A new executive director, with his senior management team, took over Department operations on October 1, 1993.

How has management addressed potential cost savings opportunities identified by the State Auditor?

- The Department could potentially save \$6.2 million per year in preliminary and construction engineering activities. Savings could be achieved by reducing the amount of preliminary and engineering construction costs at the districts.
- Although evaluation tools exist within the maintenance function at the

Department, they can be expanded to enhance accountability at the district level. By comparing the costs of a selected maintenance activity in a district with similar districts, \$5.9 million in potential cost savings were identified.

- The district administrative functions of voucher processing, accounting, human resources, warehousing, and purchasing were evaluated to identify over \$900,000 in potential cost savings.

For more information, see SAO Report No. 95-021.

How has management changed operating procedures to ensure that ineffective performance evaluations of contractors on projects are considered *before* the contractor receives other contracts in the future?

- Contractors' monthly assessments are not linked to the contract awarding process. Contractors who receive poor performance ratings can subsequently contract with the Department for future construction projects.

For more information, see SAO Report No. 95-021.

Section 2:

SAO Reports Affecting Agency

93-064 Management letter (March 1993)
94-078 Management letter (March 1994)
95-021 Management controls (November 1994)

Architectural Examiners, Board of

The Texas Board of Architectural Examiners was first created in 1937. (In 1979, the Texas Board of Landscape Architects merged with the Board.) The mission of the Texas Board of Architectural Examiners is to protect the public health, safety, and welfare through the safeguarding of the public against the irresponsible practice of architecture, landscape architecture and interior design, and/or unauthorized use of the title "architect," "landscape architect," or "interior designer." At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$1 million and full-time equivalent employees totaling approximately 13.

A December 1994 audit report concluded that the Board of Directors of the agency had not satisfied all responsibilities necessary for fulfilling its mission.

Section 1:

Overall Management And Operations

What is the status of reorganizing the agency to maximize efficiency and effectiveness? Can management assure the Legislature that organizational changes will minimize the cost of operations? How?

- Organizational and procedural changes are needed to accomplish the agency's mission, goals, and objectives. The agency should eliminate the duplication of effort inherent in its current organizational structure and assign employees to perform tasks in related areas. Use of the Treasury Lock Box Service could improve efficiency while reducing costs.

For more information, see SAO Report No. 95-034.

Section 2:

Education And Enforcement

What did the agency do with unexpended fiscal year 1994 appropriations for enforcement?

- No staff was assigned to perform the enforcement and education strategies. An estimated \$29,000 of \$102,000 appropriated remained unexpended. The agency estimated that about four percent of 1994 enforcement appropriations were spent on investigating complaints.

For more information, see SAO Report No. 95-034.

Section 3:

SAO Reports Affecting Agency

| 95-034 Management Controls (December 1994)

Barber Examiners, Board Of

The State Board of Barber Examiners was first created in 1929. The mission of the State Board of Barber Examiners is to protect the Texas consumer. The State Board of Barber Examiners is dedicated to protecting the Texas consumer and licensee from health risks by improving the practice of barbering through sanitation and sterilization, registration, licensing, and education of practitioners and to promote the efficient and orderly administration of laws that regulate barbers and the practice of barbering. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$900,000 and full-time equivalent employees totaling approximately 13.

Section 1:

Overall Management And Operations

What changes have taken place to ensure that the chief executive officer of the agency -- and not the Board -- is assuming all appropriate responsibilities for managing the agency?

- Management of the agency's operations is inappropriately being performed by the Board. The Board has restricted the ability of the executive director to act as the chief executive officer of the agency. The board appears to have assumed the responsibilities normally granted the executive director of state agencies and those responsibilities assigned to the executive director of the Board of Barber Examiners. Specifically, the board is involved in employing and dismissing personnel; performing interviews for evaluations; and granting an achievement bonus for an employee. The board has also posted the possible discipline/dismissal of the executive director on board meeting agendas on numerous occasions which appears to impede the effective operations of the agency.

For more information, see SAO letters to the Legislative Audit Committee dated October 1994.

Presently, what are the board's roles and responsibilities related to the agency?

- The board of an agency should be involved in the establishment of policies which guide the operations of the agency and should monitor the implementation of those policies and the operations of the agency. The day-to-day operations of the agency should be vested in the executive director,

For more information, see SAO letters to Legislative Audit Committee dated October 1994.

What efforts are occurring to address the control problems identified by the State Auditor's Office?

- ineffective inspections for barber shop renewals
- lack of regular/required inspection (inspection planning appears to be left to the inspectors)
- violation of statutory qualification requirements involving education and experience
- falsified travel vouchers

For more information, see SAO letters to Legislative Audit Committee dated October 1994.

Section 2:

SAO Reports Affecting Agency

| 94-017 Management controls (January 1994)

Chiropractic Examiners, Board Of

The Texas Board of Chiropractic Examiners was first created in 1949. The mission of the Texas Board of Chiropractic Examiners is to assure that the health and safety needs of the people of Texas are served by qualified doctors of chiropractic; to ensure that the rights and interests of the State and its citizens are protected by ensuring that the health care professionals are trained, qualified, effectively educated and are in compliance with the laws and rules governing chiropractic. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$370,000 and full-time equivalent employees totaling approximately 5.

A January 1994 audit report concluded that the agency had deficiencies in its processes to enforce the rules and regulations governing the practice of chiropractic in Texas.

Section 1:

Overall Management And Operations

What systems do you have in place to determine whether the agency's processes are effective for achieving its goals?

- The board had not assessed agency processes from an oversight perspective to ensure that such processes are effective, or even adequate, for achieving the agency's mission.

For more information, see *SAO* Report No. 94-017.

Section 2:

Ensuring Public Protection

What procedures have been established to ensure that licensees are qualified and practicing according to established regulations?

- At the time of our review in June 1993, the Board had several deficiencies which hindered its ability to enforce the rules and regulations governing the practice of chiropractic in Texas. Criteria for investigations had been developed, but not adopted by the Board. No monitoring system was in place to determine if chiropractors in inactive systems were practicing. The agency had not established standardized, written guidelines for the process to license applicants.

For more information, see *SAO* Report No. 94-017.

Section 2:

SAO Reports Affecting Agency

I 94-017 Management controls (January 1994)

Cosmetology Commission

The mission of the Texas Cosmetology Commission is to regulate the profession of hair-dressing and cosmetology through the inspection and licensing of schools, salons, and individuals; biannually renew all licenses issued by this Commission; examine graduate students for licensure; and inspect all cosmetology establishments for sanitation, license, required equipment, and staff. For the protection of the health and welfare of the general public, considerable effort is spent in the area of inspections to seek out unlicensed operators and establishments. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$1.6 million and full-time equivalent employees totaling approximately 40.

A January 1994 audit report concluded that the lack of effective oversight by the Texas Cosmetology Commission had led to deficiencies in enforcing the rules and regulations governing the practice of cosmetology in Texas.

section 1:

Overall Management And Operations

How have you improved your monitoring and evaluation of the Commission's operations from an oversight perspective in order to ensure that:

inspections of salons occurs regularly
complaints are addressed in a timely manner
the Commission's in-house accounting system is efficient and provides for the accountability of funds
strategic planning process is in place

- The Commissioners are not effectively monitoring and evaluating Commission operations from an oversight perspective. In addition, the agency's strategic planning process is incomplete and has resulted in a plan that lacks alignment with the agency's assessment of its external environment

For more information, see SAO Report No. 94-017.

Section 2:

SAO Reports Affecting Agency

| 94-017 Management controls (January 1994)

Medical Examiners, Board Of

The Board of Medical Examiners was first created in 1907. The Board of Medical Examiners' mission is to protect the people of Texas from the incompetent practice of medicine through licensing and regulation. At the end of fiscal year 1994, the agency reported expenditures totaling approximately \$4.7 million and full-time equivalent employees totaling approximately 90.

Section 1:

Overall Management And Operations

What efforts have taken place to increase controls over state funds held in local bank accounts to ensure that the funds are used for purposes consistent with state guidelines?

- Existing controls over state funds held in a local bank account are not sufficient to ensure that the funds are used for purposes consistent with state guidelines.

For more information, see SAO Report No. 94-017.

Section 2:

Physician Licensure

Has a feasibility study been completed regarding the assessment of monthly probation fees to physicians on probation for Medical Practice Act violations?

- Doctors who are placed on probation for violating the Medical Practice Act are not required to pay a probation fee. Fiscal impact: \$297,000 (or enough to cover budgeted expenditure for Compliance Division from a \$75 fee).

For more information, see SAO Report No. 94-017.

Section 3:

SAO Reports Affecting Agency

94-017 Management controls (January 1994)

Appendix 1:

List Of State Auditor Reports Published During Fiscal Years 1993 And 1994

The following pages contain a list of reports released by the State Auditor's Office during fiscal years 1993 and 1994. It also includes certain reports released during the first four months of fiscal year 1995.

Reports are listed by agency or by issue area. The list is divided into two sections:

- Section 1: List of reports which contain information that affects a specific agency. Reports are listed under the agency name.
- Section 2: List of reports which affect multiple agencies or deal with statewide issues. Reports are listed by key word.

The references contain information about the report number, type of report, and release date. The Office releases several types of reports, including:

- Accreditation - Reports on reviews of university financial statements for accreditation by the Southern Association Of Colleges and Universities
- Briefing - General information reports on subjects of interest to the Legislature. Frequently done by request.
- Classification - Reports on the State's workforce and compliance with the Position Classification Act
- Correspondence letters - Reports on significant financial information, federal compliance, and bond compliance which result in no recommendations to management
- Management controls - Reports on reviews to determine if entities have policies and procedures to achieve desired results at the lowest possible cost
- Management letters - Reports on significant financial information, federal compliance, and bond compliance which result in recommendations to management
- Opinion - Reports on evaluations of entities' financial statements
- Performance - Reports on reviews of entities to determine if they are economical, efficient, or effective
- Special - Reports which do not fall into other categories
- Statutory - Reports specifically required by statute

Section 1:

Reports By Agency

The following list contains information on reports released by the State Auditor's Office during fiscal years 1993 and 1994 as well as certain reports from the first four months of fiscal year 1995. The reports are indexed to agency names. In other words, agency names are listed and are followed by references to reports which contain substantial information on that agency.

List Of State Auditor Reports Published During Fiscal Years 1993 And 1994

<p>Administrative Hearings, State Office of 95-020 Management Controls (October 1994)</p> <p>Aging, Texas Department on 93-086 Management Letter (March 1993) 94-079 Management Letter (March 1994)</p> <p>Agriculture, Department of 93-013 Special- Competitive Cost Review Program (October 1992) 93-028 Opinion Audit - Agricultural Finance Authority (December 1992) 93-029 Correspondence Letter - Agricultural Finance Authority (December 1992) 93-060 Correspondence Letter (February 1993) 93-096 Correspondence Letter - Agricultural Finance Authority (March 1993) 93-148 Classification (July 1993) 94-016 Statutory - Agricultural Finance Authority (January 1994)</p> <p>Aircraft Pooling Board 95-020 Management controls (October 1994) 93-122 Classification (April 1993)</p> <p>Alcohol and Drug Abuse, Commission on 93-067 Management Letter (March 1993) 93-154 Classification (August 1993) 94-001 Management controls (September 1993) 94-024 Management Letter (January 1994)</p> <p>Alcoholic Beverage Commission 95-012 Statutory - Permitting process (October 1994)</p> <p>Armory Board, National Guard 93-051 Correspondence letter (February 1993) 94-056 Management letter (February 1994)</p>	<p>Attorney General 93-007 Performance - centralizing legal services (October 1992) 93-008 Performance - Child Support Enforcement Program (October 1992) 93-090 Management letter (March 1993) 93-142 Statutory - Review of judgements (July 1993) 93-158 Classification (August 1993) 94-074 Management letter (March 1994)</p> <p>Banking, State Department of 93-121 Classification (April 1993) 95-020 Management controls (October 1994)</p> <p>Barber Examiners, Board of 94-017 Management controls (January 1994)</p> <p>Blind and Visually Impaired, School for the 93-014 Follow-up (November 1992)</p> <p>Blind, Commission for the 93-074 Management Letter (March 1993) 94-019 Management Letter (January 1994)</p> <p>Bond Review Board 93-026 Briefing - Texas' debt management (December 1992)</p> <p>Chiropractic Examiners, Board of 94-017 Management controls (January 1993)</p> <p>Commerce, Department of 93-080 Management letter (March 1993) 93-109 Briefing - Summary of JTPA audits (April 1993) 93-157 Special- Rural Economic Development Loan program (August 1993) 94-080 Management letter (March 1994) 94-082 Performance - JOBS program (March 1994)</p>
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Ust Of State Auditor Reports Published During Fiscal Years 1993 And 1994

- 94-114 Performance - Texas' economic development programs (April 1994)
- 94-130 Statutory - Rural Economic Development Loan program (July 1994)
- 95-005 Performance - Enterprise Zone program (October 1994)
- 95-012 Statutory - Selected penning processes (October 1994)
- 95-013 Management controls (October 1994)

Comptroller of Public Accounts

- 93-003 Follow-up (September 1992)
- 93-015 Statutory - Revenue management process (November 1992)
- 93-097 Management letter (March 1993)
- 94-088 Management letter (March 1994)

Consumer Credit Commission, Office of

- 93-120 Classification (April 1993)
- 94-025 Performance (January 1994)

Cosmetology Commission, Texas

- 94-017 Management controls (January 1994)

Credit Union Department

- 95-020 Management controls (October 1994)

Criminal Justice, Department Of

- 93-033 Performance - Prison construction (January 1993)
- 93-071 Correspondence letter (March 1993)
- 93-124 Management controls (May 1993)
- 93-142 Follow up - Prison construction (August 1994)
- 94-005 Performance - Health Services Division (September 1993)
- 94-089 Management letter (March 1994)

Deaf and Hearing Impaired, Commission for the

- 93-034 Investigation (January 1993)

Dental Examiners, Board of

- 94-017 Management controls (January 1994)

East Texas State University

- 93-046 Correspondence letter (February 1993)
- 93-110 Accreditation (April 1993)
- 94-030 Management letter (February 1994)

Education Agency, Texas

- 93-010 Management controls (November 1992)
- 93-011 Management controls (November 1992)
- 93-014 Audit follow-up (November 1992)
- 93-093 Management letter (March 1993)
- 93-117 Management controls (June 1993)
- 93-141 Classification (March 1993)
- 94-061 Management letter (March 1994)
- 94-082 Performance - JOBS program (March 1994)
- 94-120 Special- Savings Profile System (June 1994)

Employees Retirement System

- 93-042 Performance - Retirement benefit controls (February 1993)
- 93-105 Opinion (March 1993)
- 94-108 Management letter (April 1994)
- 94-110 Opinion (April 1994)

Employment Commission, Texas

- 93-070 Correspondence Letter (March 1993)
- 94-027 Management Letter (February 1994)
- 94-082 Performance Audit - JOBS Program (March 1994)
- 95-01 I Statutory - Revenue Audit (September 1994)

Engineers, Board of Registration for Professional

- 93-130 Classification (June 1993)

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<p>Ethics Commission, Texas 94-121 Classification (June 1994) 95-020 Management controls (November 1994)</p>	<p>Health and Human Services Commission 93-112 Performance - hnp implementing House Bill 7 (April 1993) 94-009 Performance - Juvenile justice (November 1993)</p>
<p>Finance Authority, Texas Public 93-026 Briefing - Statewide debt management (December 1992) 93-043 Management letter (February 1993) 94-059 Management letter (February 1994)</p>	<p>Higher Education Coordinating Board 93-075 Management letter (March 1993) 94-050 Management letter (February 1994) 94-104 Statutory - Junior college enrollment (April 1994) 94-117 Performance - Faculty workload (May 1994) 94-138 Management controls (August 1994)</p>
<p>Fire Protection, Commission on 94-125 Classification (June 1994)</p>	<p>House of Representatives 93-137 Briefing - Business Office (July 1993) 94-004 Briefing - House Research Organization (September 1993)</p>
<p>Fire Fighters' Pension Commission 93-069 Management letter (February 1993) 93-123 Opinion (April 1993) 94-052 Statutory (March 1994) 95-020 Management controls (October 1994)</p>	<p>Housing and Community Affairs, Department of 93-095 Management letter (March 1993) 94-092 Management letter (March 1994)</p>
<p>General Services Commission 93-033 Perfonnance- Prison construction (January 1993) 94-076 Management letter (March 1994)</p>	<p>Human Services, Department of 93-002 Audit follow-up (September 1992) 93-038 Performance - Developing automated systems (February 1993) 93-078 Management letter (March 1993) 93-153 Classification (August 1993) 94-002 Classification (September 1993) 94-014 Management controls (December 1993) 94-015 Performance - Nursing home regulation (December 1993) 94-072 Management letter (March 1994) 94-082 Performance - JOBS program (March 1994) 94-149 Classification (August 1994)</p>
<p>Governor, Office of the 93-099 Management letter (March 1993) 94-023 Management letter (February 1994)</p>	
<p>Health, Department of 93-005 Follow-up Letter (September 1992) 93-012 Perfonnance Audit - Preventable Disease Program (October 1992) 93-022 Briefmg Report - Drug-Exposed Infants (December 1992) 93-065 Correspondence Letter (March 1993) 94-020 Classification (January 1994) 94-081 Management Letter (March 1994) 94-143 Performance Audit - Medicaid Vendor Drug Rebate Program (August 1994) 94-147 Classification (September 1994)</p>	

List Of State Auditor Reports Published During Fiscal Years 1993 And 1994

Incentive and Productivity Commission

- 93-050 Classification (February 1993)
- 95-020 Management controls (October 1994)

Information Resources, Department of

- 93-038 Performance - Developing automated systems (February 1993)

Insurance, Department of

- 93-019 Statutory - Revenue audit (November 1992)
- 93-036 Performance - Management information system (January 1993)
- 93-091 Management letter (March 1993)
- 93-100 Correspondence letter (March 1993)
- 93-116 Performance - Solvency regulation (April 1993)
- 94-045 Management letter (February 1994)
- 94-097 Performance - Receivership process (March 1994)

Investigators and Private Security Agencies, Board of Private

- 93-045 Classification (February 1993)

Lamar University

- 93-073 Management controls (March 1993)
- 93-087 Management letter (March 1993)
- 94-071 Management letter (March 1994)
- 94-099 Follow-up (April 1994)

Land Office and Veterans' Land Board, General

- 93-061 Correspondence letter (February 1993)
- 93-081 Briefmg - Water resource management (March 1993)
- 94-093 Management letter (March 1994)
- 94-129 Classification (August 1994)
- 95-014 Special- Royalty audit (October 1994)

Law Enforcement Officers Standards and Education, Commission on

- 93-136 Classification (July 1993)
- 95-002 Management controls (July 1994)

Licensing and Regulation, Department of

- 95-020 Management controls (October 1994)

Medical Examiners, Board of

- 94-017 Management controls (January 1994)

Mental Health and Mental Retardation, Department of

- 93-047 Correspondence letter (February 1993)
- 94-031 Management letter (February 1994)

Midwestern State University

- 93-059 Correspondence letter (February 1993)
- 94-029 Management letter (February 1994)
- 94-095 Management controls (March 1994)
- 94-096 Management controls (March 1994)

National Research Laboratory Commission

- 93-079 Management letter (March 1993)
- 94-068 Management letter (February 1994)

Natural Resource Conservation Commission

- 93-030 Follow-up (January 1993)
- 93-081 Briefmg - Water resource management (March 1993)
- 93-082 Management letter (March 1993)
- 93-152 Special- Petroleum Storage Tank letter (August 1993)
- 94-028 Management letter (February 1994)
- 94-077 Management letter (March 1994)
- 95-012 Statutory - Permitting processes (October 1994)

Ust Of State Auditor Reports Published During Fiscal Years 1993 And 1994

Nurse Examiners, Board of Vocational 94-017 Management controls (January 1994)	93-112 Performance - hnpimplementing House Bill 7 (April 1993)
Nurse Examiners, Board of 94-017 Management controls (January 1994)	94-094 Management letter (March 1994)
Nursing Home Administrators, Board of Licensure for 93-031 Classification (January 1993)	94-148 Classification (September 1994)
Optometry Board, Texas 93-139 Classification (December 1992)	95-003 Management controls (September 1994)
94-017 Management controls (January 1994)	Psychologists, Board of Examiners of 94-007 Classification (October 1993)
Parks and Wildlife Department 93-057 Correspondence letter (February 1993)	94-017 Management controls (January 1994)
93-081 Briefing - Water resource management (March 1993)	Public Community/Junior Colleges 94-104 Statutory - Enrollment audit (April 1994)
94-066 Management letter (March 1994)	
94-126 Classification (June 1994)	Radioactive Waste Disposal Authority, Low-Level 93-131 Classification (June 1993)
Pension Review Board, State 95-020 Management controls (October 1994)	95-020 Management controls (October 1994)
Pest Control Board, Structural 93-151 Classification (August 1993)	Railroad Commission 93-113 Performance - Oil field cleanup program (April 1993)
Pharmacy, Board of 94-017 Management controls (January 1994)	94-060 Management letter (February 1994)
Preservation Board 93-035 Classification (January 1993)	95-012 Statutory - Permitting processes (October 1994)
94-135 Management controls (June 1994)	Real Estate Commission, Texas 93-156 Classification (August 1993)
Probation Commission, Juvenile 94-009 Performance - Juvenile justice system (November 1993)	Rehabilitation Commission 93-058 Management letter (February 1993)
	93-140 Classification (February 1993)
	94-018 Management letter (January 1994)
Protective and Regulatory Services, Department of	Safety, Department of Public 93-072 Management letter (March 1993)
	94-054 Management letter (February 1994)
	95-017 Briefing - Information review (October 1994)

List Of State Auditor Reports Published During Fiscal Years 1993 And 1994

Savings and Loan Department

- 93-041 Classification (February 1993)
- 95-020 Management controls (October 1994)

Sex Offender Treatment, Interagency Council on

- 95-020 Management controls (October 1994)

Soil and Water Conservation Board

- 93-129 Classification (June 1993)

Stephen F. Austin State University

- 93-053 Correspondence letter (February 1993)
- 93-127 Management controls (June 1993)
- 94-043 Management letter (March 1994)

Supreme Court of Texas

- 94-109 Classification (April 1994)

Teacher Retirement System

- 93-025 Management controls (December 1992)
- 93-042 Performance - Retirement benefit controls (February 1993)
- 93-106 Management letter (March 1993)
- 93-107 Opinion (March 1993)
- 94-091 Financial related audit (March 1994)
- 94-113 Opinion (March 1994)

Texas A&M University System

- 93-098 Management letter - Seven Parts (March 1993)
- 94-039 Management letter - Kingsville (March 1994)
- 94-040 Management letter - A&M Main (March 1994)
- 94-041 Management letter - System Administration (March 1994)
- 94-044 Management letter - West Texas A&M (March 1994)
- 94-051 Management letter - system (March 1994)
- 94-053 Special- Accreditation at A&M International (March 1994)

- 94-098 Accreditation - A&M Kingsville (April 1994)
- 94-115 Management controls - A&M Kingsville (May 1994)
- 94-117 Performance - Faculty workload policies (A&M Main) (May 1994)
- 94-139 Management controls - A&M Main Department of Food Services (August 1994)
- 94-140 Management controls - Financial statements of A&M Main Department of Food Services (August 1994)

Texas State Technical College

- 93-055 Correspondence letter (February 1993)
- 93-114 Accreditation - Waco (April 1993)
- 94-010 Management controls (November 1993)
- 94-065 Management letter (February 1994)
- 94-112 Accreditation - Sweetwater (April 1994)

Texas State University System

- 93-085 Management letter (March 1993)
- 94-058 Management letter - Angelo State (March 1994)
- 94-064 Management letter - Sul Ross State (February 1994)
- 94-069 Management letter - system (February 1994)
- 94-073 Management letter (February 1994)
- 94-084 Management letter - Sam Houston State (March 1994)

Texas Southern University

- 93-092 Management letter (March 1993)
- 93-155 Investigation - Band (August 1993)
- 94-046 Management letter (March 1994)
- 94-145 Management controls (August 1994)

List Of State Auditor Reports Published During Fiscal Years 1993 And 1994

Texas Tech University and Texas Tech University Health Sciences Center

- 93-049 Correspondence letter (February 1993)
- 94-005 Performance - *WCJ* Health services (September 1993)
- 94-026 Management letter (February 1994)
- 94-075 Management letter (March 1994)
- 94-086 Accreditation (March 1994)
- 94-087 Accreditation (March 1994)
- 94-117 Performance - Faculty workload policies (May 1994)

Texas Woman's University

- 93-016 Accreditation (November 1992)
- 93-089 Management letter (March 1993)
- 93-147 Investigation - Houston housing office (July 1993)
- 94-062 Management letter (March 1994)

Transportation, Department of

- 93-064 Management letter (March 1993)
- 94-078 Management letter (March 1994)
- 95-021 Management controls (November 1994)

Treasury Department

- 93-001 Statutory - Revenue audit function (September 1992)
- 93-068 Management letter (March 1993)
- 94-032 Management letter (February 1994)

University of Houston

- 93-094 Management letter (March 1993)
- 93-083 Accreditation - Victoria (March 1993)
- 93-094 Management letter - Clear Lake (March 1993)
- 94-057 Management letter (March 1994)
- 94-117 Performance - Faculty workload policies (May 1994)
- 95-015 Management controls (October 1994)

University of North Texas and University of North Texas Health Science Center

- 93-052 Correspondence letter (February 1993)
- 93-056 Correspondence letter - Health Science Center (February 1993)
- 94-067 Management letter - Health Science Center (February 1994)
- 94-070 Management letter (February 1994)
- 94-132 Accreditation (July 1994)

University of Texas System

- 93-027 Management controls - System Administration (February 1993)
- 93-040 Management controls - UT-Austin (February 1993)
- 93-063 Management controls - M.D. Anderson Cancer Center (February 1993)
- 93-076 Management controls - Health Science Center at San Antonio (March 1993)
- 93-084 Management controls - UT Medical Branch at Galveston (May 1993)
- 93-088 Management letter (March 1993)
- 93-143 Management controls - Southwestern Medical Center at Dallas (July 1993)
- 94-005 Performance - *WCJ* Health Services, affecting UT Medical Branch at Galveston (September 1993)
- 94-022 Management controls - Health Science Center Houston (January 1994)
- 94-033 Management letter (February 1994)
- 94-034 Management letter - System Administration (February 1994)
- 94-035 Management letter - UT-Austin (February 1994)
- 94-036 Management letter - Health Science Center Houston (February 1994)
- 94-117 Performance - Faculty workload policies (UT-Austin) (May 1994)
- 95-038 Management controls - UT El Paso (January 1995)

Appendix 1:

List Of State Auditor Reports Published During Fiscal Years 1993 And 1994

Veterans Commission

93-135 Classification (July 1993)

Water Development Board

93-009 Follow-up (October 1992)

93-077 Management letter (March 1993)

93-081 Briefing (March 1993)

93-150 Performance - Colonias (November 1993)

94-028 Management letter (February 1994)

94-083 Management letter (March 1994)

Workers' Compensation Commission

93-062 Performance - New Legislation (February 1993)

Workers' Compensation Research Center

94-127 Classification (July 1994)

Youth Commission

94-009 Performance - Juvenile justice system (November 1993)

Section 2:

Reports By Issue Area

The following list contains information on reports released by the State Auditor's Office during fiscal years 1993 and 1994 as well as certain reports from the first four months of fiscal year 1995. These reports contain information on multiple agencies or on statewide issues. The reports are indexed to key words. In other words, certain terms are listed and are followed by references to reports which contain information on that topic.

Accounting

93-102 Management letter - Statewide financial and compliance audit (April 1993)

93-103 Management letter - Statewide financial and compliance audit (April 1993)

94-105 Opinion - Statewide financial and compliance audit (April 1994)

94-106 Opinion - Statewide financial and compliance audit (April 1994)

+ See also related agencies listed in Section 1 of this appendix.

Automated Information Systems

93-038 Performance - Controls over system development (February 1993)

+ See also related agencies listed in Section 1 of this appendix.

Auditing

93-017 Statutory - Biennial report of State Auditor (January 1993)

93-024 Briefing - Internal auditing (December 1992)

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94-013	Statutory - Internal auditing (February 1994)	Education, Higher
95-016	Performance - Implementation of SAO recommendations (October 1994)	93-039 Statutory - Family Practice Clerkship (February 1993)
+	See also related agencies listed in Section 1 of this appendix.	94-085 Statutory - Medical service practice plans (March 1994)
Bonds		94-104 Statutory - Junior college enrollment audit (April 1994)
93-026	Briefing - Texas' debt management (December 1992)	94-117 Performance - Faculty workload policies (May 1994)
93-102	Management letter - Statewide financial and compliance audit (April 1993)	+
93-103	Management letter - Statewide financial and compliance audit (April 1993)	See also related agencies listed in Section 1 of this appendix.
94-105	Opinion - Statewide financial and compliance audit (April 1994)	Education, Public
94-106	Opinion - Statewide financial and compliance audit (April 1994)	93-010 Management controls - public schools (November 1992)
+	See also related agencies listed in Section 1 of this appendix.	93-011 Management controls - public schools (November 1992)
Competitive Cost Program		+
93-013	Special- Guide to implementing Competitive Cost Program (October 1992)	See also related agencies listed in Section 1 of this appendix.
94-116	Special- forms and guidelines for Least Cost Review Program (May 1994)	Employees
+	See also related agencies listed in Section 1 of this appendix.	93-006 Classification - Biennial report of classification officer (October 1992)
Corrections		93-020 Classification - Quarterly count of FTEs (November 1992)
	See "Public Safety."	93-042 Performance - Retirement benefit controls (February 1993)
Criminal Justice		93-044 Classification - Quarterly count of FTEs (February 1993)
	See "Public Safety."	93-125 Classification - Survey on classification plan and pay administration (May 1993)
Economic Development		93-126 Statutory - Quarterly count of FTEs (May 1993)
94-114	Performance - Planning and coordination among economic development agencies (April 1994)	93-144 Classification - Quarterly count of FTEs (July 1993)
+	See also related agencies listed in Section 1 of this appendix.	93-145 Classification - Three-way tabulation of positions (July 1993)
		94-008 Statutory - Quarterly count of FTEs (October 1993)
		94-021 Statutory - Quarterly count of FTEs (January 1994)
		94-111 Classification - Quarterly count of FTEs (May 1994)

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94-134	Classification - Quarterly count of FTEs (August 1994)	Section 1 of this appendix.
95-010	Statutory - Adjustment to classified salary schedule (September 1994)	Human Resources
+	See also related agencies listed in Section 1 of this appendix.	See "Employees."
Federal Funds (compliance)		Investments
93-102	Management letter - Statewide financial and compliance audit (April 1993)	95-035 Briefmg - Derivatives (December 1994)
93-103	Management letter - Statewide financial and compliance audit (April 1993)	Natural Resources and Recreation
94-105	Opinion - Statewide financial and compliance audit (April 1994)	93-081 Briefing - Texas' water resource management (March 1993)
94-106	Opinion - Statewide financial and compliance audit (April 1994)	+
+	See also related agencies listed in Section 1 of this appendix.	See also related agencies listed in Section 1 of this appendix.
General Government		Performance Measures
95-020	Management controls - selected small agencies (October 1994)	94-047 Performance - Performance measure certification (March 1994)
+	See also related agencies listed in Section 1 of this appendix.	94-048 Performance - Performance measure certification (March 1994)
General Fund		94-136 Statutory - Performance measure certification (August 1994)
93-042	Performance - Retirement benefit controls (February 1993)	+
93-138	Briefmg - Unemployment and workers' comp reimbursements (July 1993)	See also related agencies listed in Section 1 of this appendix.
+	See also related agencies listed in Section 1 of this appendix.	Public Safety
Health and Human Services		94-009 Performance - juvenile justice system (November 1993)
93-022	Briefmg - Drug-exposed infants (December 1992)	93-037 Performance - Probation (February 1993)
93-112	Performance - Implementing House Bill 7 (April 1993)	94-118 Special - Methodology for evaluating probation programs (May 1994)
94-015	Performance - Nursing home regulation (December 1993)	+
94-082	Performance - JOBS program (March 1994)	See also related agencies listed in Section 1 of this appendix.
+	See also related agencies listed in	Regulatory, General
		95-020 Management controls (October 1994)
		+
		See also related agencies listed in Section 1 of this appendix.
		Regulatory, Public Health Related
		94-017 Management controls (January 1994)
		+
		See also related agencies listed in Section 1 of this appendix.

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Transportation

- 93-004 Briefing - Transit authority audit reports (September 1992)
- 93-023 Special - Dallas Area Rapid Transit (December 1992)
- + See also related agencies listed in Section 1 of this appendix.