

# An Audit Report on Management Controls at the Texas Parks and Wildlife Department

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# Key Points Of Report

## An Audit Report on Management Controls at the Texas Parks and Wildlife Department

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November 1995

### Overall Conclusion

The Texas Parks and Wildlife Department's management controls promote efficient and effective service delivery. While the controls are generally effective, improvements would enhance the efficiency of several control systems. The Department recognizes this need and is currently improving these systems. Efficiency is important since the Department is responsible for managing assets valued at more than \$500 million and plays a key role in the State's outdoor recreation industry.

### Key Facts And Findings

- The Department does not currently have the funds to meet the estimated \$186 million in needed facility repairs and improvements for fiscal years 1995 through 2000. Management needs to continue developing strategies to meet these needs.
- The Department has been proactive in seeking ways to increase revenues and cut costs. While these efforts are noteworthy, improvements in revenue control systems would further enhance the Department's efforts to cover operating costs with user fees. While marketing efforts are occurring, management needs to develop a Department-wide comprehensive marketing plan. Replacement of the current inefficient license sales process with a point-of-sale system needs to continue. The Department loses an estimated \$400,000 in interest income annually because of the inefficient system.
- Many Department information systems operate in an inflexible and inefficient mainframe environment. The Department needs to continue reviewing their migration plan to a server-based environment and determine if ways exist to quicken the process. Other needs are a more efficient financial system, an adequate executive information system, and a comprehensive customer information system. The Department recognizes these needs and is currently enhancing these systems.

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*This management control audit was conducted in accordance with Government Code,  
§ 321.0133.*

## Executive Summary

The Texas Parks and Wildlife Department's management controls promote efficient and effective service delivery. While the controls are generally effective, improvements would enhance the efficiency of several control systems. The Department recognizes this need and is currently improving these systems. Efficiency is important since the Department is responsible for managing assets valued at more than \$500 million and plays a key role in the State's outdoor recreation industry.

### **A Large Backlog of Repairs and Capital Improvements Exists**

The Department does not currently have the funds to meet the estimated \$186 million in needed facility repairs and improvements for fiscal years 1995 through 2000. This large balance has arisen because of an aging infrastructure and the inability of the Department, due to other priorities, to budget sufficient amounts to maintain facilities properly.

The Department needs to continue developing strategies to address the backlog of repairs and improvements. To help prevent further deterioration of facilities, the Department needs to budget appropriate amounts for facility maintenance. A bond issue and fee increases are currently under consideration to help meet these needs.

### **Improvements Would Enhance Revenue Controls**

The Department has a goal of reliance on user fees to fund operating costs. To reach this goal, the Department has been proactive in seeking ways to increase revenues and cut costs. Some examples of these initiatives are the entrepreneurial budgeting systems at state parks, use of volunteers and inmate labor, and public-private partnerships.

While these efforts are noteworthy, other improvements would further enhance the Department's ability to reach its financing goal.

Although marketing efforts are occurring, the Department needs to develop a Department-wide, comprehensive marketing plan. The Department also needs to gather complete information on current and potential customers.

The current license sales process is inefficient for license vendors, customers, and the Department. The Department loses an estimated \$400,000 in interest income annually because of the inefficient system. Management has recognized the current system's inefficiencies and plans to implement a more efficient point-of-sale system in fiscal year 1996.

Lastly, the Department has incomplete information to determine the cost effectiveness of the Texas Conservation Passport. A statute limits Passport cost to the cost of a combination hunting and fishing license. The Department needs to develop methods to evaluate the cost effectiveness of the Passport. If this information shows the current allowed price is not cost effective, this information could be presented to the Legislature for their consideration.

## Executive Summary

### **Improvements Are Needed to Ensure Efficient and Timely Access to Information**

Several current information systems are inefficient and do not provide timely information to management. The Department recognizes this and is improving these systems and also implementing new and more efficient systems.

Many Department information systems still operate in an inflexible and inefficient mainframe environment. Migration of these systems to a more efficient server-based environment is not scheduled for completion until fiscal year 2000. Management needs to review the migration plan and determine if ways exist to quicken the process.

Current Department financial systems are inefficient and do not provide timely financial information. The various financial systems are not integrated and do not have on-line, real-time capabilities. Many system tasks are time consuming, requiring the manual movement of data from one system to another. Timely financial information is critical for appropriate management decisions. The Department recognizes the inadequacies of its financial systems and is considering obtaining a more efficient system.

The current information systems also do not meet executive management's information needs. The Department recognizes this need, and an executive information system is being developed.

Finally, the Department lacks a comprehensive customer information system. Management recognizes this need and is developing an automated customer information system.

### **The Department Has A Well-Developed Strategic Planning Process**

The Department's strategic plan is very comprehensive, and input on the plan was received from all levels of employees and many constituent groups.

### **Performance Measure Controls Need Improvement**

The Department does not have adequate controls systems to ensure accurate reporting of all performance measure information to the Legislature. System improvements to ensure accurate reporting are needed.

Although executive management uses some performance measures, additional measures would enhance the monitoring of Department performance. The executive director has expressed a need for these measures and is currently developing them. Monitoring of results is especially important when an organization is decentralized, like the Department.

### **The Executive Management Structure Needs Review**

The executive management structure may be inadequate for an agency the size and complexity of the Department. Currently, executive management consists of only the executive director. One person having to carry out all the multidimensional tasks required of executive management at the Department is very demanding. The Department needs to analyze top management

## Executive Summary

tasks and determine the adequacy of the current structure.

### **Opportunities for Improvement Exist in Determining Customer Satisfaction**

Processes for determining customer satisfaction at state parks need improvement. The state park system is one of the most visible and customer reliant Department functions.

The Department recognizes the importance of customer satisfaction, and customer feedback is obtained in several ways. Although efforts are occurring, the Department needs more formal methods to gain information on park visitors' satisfaction. Customer satisfaction also needs to become an important performance evaluation measure for park personnel.

### **Opportunities for Improvement in Training and Evaluation Procedures Exist**

Employees are not always being evaluated annually. The Department needs to ensure employees receive formal annual evaluations.

Improvements would enhance employee training. The Department needs to ensure employees receive adequate management and computer training. Formal procedures are also needed to ensure divisional training is adequately coordinated.

### **Improvements Would Enhance Disaster Recovery Procedures**

The Department needs to develop comprehensive disaster recovery plans for its server-based systems. These systems include the state park central reservation system. This condition exposes these systems to a risk of delays in processing critical information in case of a disaster.

### **Improvements Would Enhance the Internal Audit Function**

The internal audit department needs to periodically review the Department's significant financial systems. The *Texas Internal Auditing Act* states that all major control systems should receive periodic audits.

One reason that auditing all major systems has been difficult for internal audit has been limited resources. From April 1992 to March 1994, internal audit only consisted of the director. Two additional auditors were added in March 1994, which should increase audit coverage.

### **Summary of Management's Responses**

*We appreciate the effort and initiative that your staff demonstrated during this audit. The results are clear, tangible recommendations to further our path towards operational self-sufficiency and fulfillment of our mission. In addition to providing strong suggestions for improvement, your recommendations are enhanced by the recent direction from our*

## Executive Summary

*Commission that will set the course for the remainder of this century. Finally, we appreciate the recognition of our efforts thus far. We are at the mid-point of a strategy that we believe is financially sound and will maximize the opportunity of all Texans to enjoy the outdoors.*

### **Summary of Audit Objectives and Scope**

The objectives of this audit were to evaluate the existing management control systems within the Texas Parks and Wildlife Department and to identify both strengths and opportunities for improvement.

The scope of the audit included consideration of the Department's policy, information, resource, and performance management systems and key processes supporting them.



### Section 1: FIXED ASSETS/INFRASTRUCTURE

## A Large Backlog of Repairs and Capital Improvements Exists

Controls over the Department's fixed assets and infrastructure provide reasonable assurance that these assets are economically purchased and constructed, economically used, and adequately protected against waste and abuse. Although controls are adequate, a significant backlog of repairs at Department facilities exists.

### Section 1-A:

## Address the Large Backlog of Repairs and Capital Improvements

The Department does not currently have the funds to meet the estimated \$186 million in needed facility repairs and improvements for fiscal years 1995 through 2000. This large balance has arisen because of an aging infrastructure and the inability of the Department, due to other priorities, to budget sufficient amounts to properly maintain facilities.

A recognized method for determining maintenance budgets is based on facility replacement cost. A report prepared by the National Research Council's Building Research Board, *Committing to the Cost of Ownership: Maintenance and Repair of Buildings*, recommends that between two and four percent of current building replacement costs be budgeted for maintenance. Based on the historical cost of the facilities of \$223 million at August 31, 1994, annual maintenance budgets between \$4.5 million and \$9 million are needed. Over the past ten years, the Department has expended an average of just less than \$4 million for maintenance. Annual expenditures have ranged from a high of \$4.4 million in fiscal year 1993 to a low of \$2.7 million in fiscal year 1987.

Since many Department facilities are old, their replacement cost greatly exceeds their historical cost. This means the funds needed for maintenance would exceed the historical cost estimate of between \$4.5 million and \$9 million. Since the Department lacks complete information on the replacement cost of its facilities, it is hindered in determining an appropriate maintenance budget. The Department is currently determining the replacement cost of its facilities.

Facility conditions will continue to worsen if sufficient amounts are not found to meet repair and improvement needs. For example, the repair and replacement of water and wastewater systems at state parks are a major need. If these systems are not fixed, the Department faces fines for environmental violations, public notification of the problems, and possible park closures. The Department continues to build new facilities, which further increases the need for maintenance funds.

The Department is considering a bond issue and fee increases to help meet the repair and improvement needs. They are also using inmate labor to do some repairs.

Recommendation:

The Department should continue developing strategies to address the repair, renovation, and capital improvement needs. The Department should also complete the process of determining the replacement cost of its facilities.

To help prevent further deterioration of Department facilities, the Department should allocate adequate funds for facility maintenance. As a guide in this allocation, the Department should consider the National Research Council's Building Research Board recommendation that two to four percent of current facility replacement costs be budgeted annually for maintenance.

Section 2: REVENUE

## **Improvements Would Enhance Revenue Controls**

Controls are providing reasonable assurance that revenues are identified and collected. The Department has been proactive in seeking ways to increase revenues and cut costs. Although controls are adequate, opportunities for improvement exist in marketing, the license sales process, and obtaining Texas Conservation Passport cost information.

Section 2-A:

### **Efforts to Increase Revenues and Cut Costs Are Occurring**

The Department has been proactive in seeking ways to increase revenues and cut costs. This follows the Department's goal of self-sufficiency for operating costs. Some examples of these initiatives are the entrepreneurial budgeting system at state parks, use of volunteers and inmate labor, and public-private partnerships.

To increase revenues, the Department started the entrepreneurial budget system at state parks to enable them to operate more like small businesses. Park managers write their own business plans to increase revenues, cut costs, or both. If they achieve business plans, park managers are allowed to keep part of the revenues or savings to improve their park, thus increasing their incentive for innovation and efficiency.

To cut costs, the Department's partnership with volunteers has become increasingly important. During fiscal year 1990, the Department estimated the value of these services at state parks at \$207,378. During fiscal year 1995, the Department reported that volunteer services at parks had grown to \$2.6 million. This represents 495,000 hours of volunteer service, or 238 full-time employee equivalents of assistance.

Another way the Department is cutting costs is the use of inmate labor. The inmates do repairs and improvements at department facilities. The Department estimates the value

of their labor will total \$2.4 million over the last two fiscal years.

Through partnerships with private entities, the Department has received financial benefits. Private sector partners have brought to the Department outside funds, land, or other assets. For example, cooperative ventures with private organizations along the coast aided in the development of two saltwater fish hatcheries.

Section 2-B:

### **Develop a Comprehensive Marketing Plan**

The Department does not have a comprehensive Department-wide marketing plan. The Department also needs more information on current and potential customers to effectively market its services. A comprehensive marketing plan would enhance the attainment of the Department's goal of financing operating costs from user fees.

The Department does have a marketing department, and marketing efforts are occurring. Examples include the annual Wildlife Expo, the Texas Conservation Passport, various Department publications, marketing efforts by individual park managers, and women and youth outreach programs. The Department has also determined customer views through surveys and public hearings and is developing an automated customer information system.

A comprehensive marketing plan is necessary to clearly define marketing objectives and strategies. Evaluation of the plan's success can then occur using these objectives. This will help ensure scarce resources are not used in unproductive areas. A good marketing program will build more awareness and loyalty with the public being served.

The foundation of an effective marketing plan is a thorough knowledge of an organization's customers. Unlike most public agencies, the Department receives a substantial amount of funding directly from its customers. Adequate customer research is essential to understanding the market served and its needs. Customer research is especially important to the Department since its customers are so diverse, and it operates in the competitive recreation market.

After a thorough knowledge of customers is gained, the market should be appropriately segmented. Development of marketing efforts to reach each target group should then occur.

Since the Department lacks a comprehensive Department-wide marketing plan and necessary customer information, it cannot adequately market its services and products. This hinders the Department's efforts to increase revenues to support its operations.

#### Recommendation:

The Department should develop a comprehensive marketing plan. This will require

obtaining complete information on current and potential customers. Periodic evaluations and updates of the plan should also occur. Marketing is more than a department. A successful marketing effort will require the commitment and cooperation of all areas of the Department.

Section 2-C:

### **Complete Efforts to Improve the License Sales Process**

The current manual license sales process is inefficient for license vendors, customers, and the Department. The Department loses an estimated \$400,000 annually in interest income due to the inefficient system.

The Department has recognized the inefficiencies of the current system and plans to start an automated point-of-sale system. System testing will occur at 13 pilot sites in November 1995, and installation at more than 3,000 license vendor locations is planned by the early summer of 1996. This system should enhance the efficiency for all involved parties, allow the more timely deposit of license fees, and more effectively capture customer information.

The current license issuance process is manual. License vendors must complete part of the licenses they sell. They are also required to fill out and send a form detailing monthly license sales to the Department. The Department then audits this information, and an invoice is prepared and sent to the vendor. The invoice is payable upon receipt. Overdue billing statements are prepared for invoices that vendors have not paid within 45 days.

About 60 days pass from the time fees are collected by the vendor until they are deposited into the State Treasury. If the Department could deposit these funds within a week, it would increase interest income about \$400,000, based on fiscal year 1994 license sales.

Inconveniences for customers can also result from the current process. Vendors do not always have all the licenses and stamps a customer may need, so customers have to visit several vendors. This could discourage license and stamp sales.

Revenue processes should be efficient, especially when customers are involved. Processes should also ensure that funds are deposited in a timely manner to maximize interest income.

#### Recommendation:

Complete implementation of the point-of-sale system. The Department should also develop procedures to ensure funds are deposited in a timely manner.

Section 2-D:

### **Develop a System to Gather Complete Cost Effectiveness Information for the Texas Conservation Passport**

The Department has incomplete information to determine the cost effectiveness of the Texas Conservation Passport. A system to gather complete cost and use information is not in place.

The Passport was created by statute in 1993. Purchasers receive benefits such as free entry to state parks, access to restricted public lands, and adventure outings and field trips. The Department sold 110,481 Passports during fiscal year 1994, generating \$2.7 million in revenues.

The statute creating the Passport also sets the maximum price. The maximum amount charged cannot exceed the price of a combination hunting and fishing license, which is currently set at \$25.

It is important to determine if the price charged for a product is cost effective. Without adequate cost and use information the Department is unsure if the Passport is making or losing money. Lack of information also prevents the Department from presenting cost effectiveness data to the Legislature. If the Department wants to rely on user fees to support its operations, it must ensure it charges cost-effective prices.

Recommendation:

Develop a system to gather adequate cost and use information on the Texas Conservation Passport. If the information shows the current allowed price is not cost effective, this information could be presented to the Legislature for their consideration.

Section 3: INFORMATION MANAGEMENT

## **Improvements Are Needed to Ensure Efficient and Timely Access to Information**

Some current information systems are inefficient and do not provide timely information to management. The Department recognizes this and is improving these systems. Management has also implemented new systems that have enhanced information management.

Information systems capture, process, and report information about events, activities, and conditions necessary for informed decision-making and reporting. The effective use of information is pivotal to the timely, efficient delivery of public services. Useful, accurate, and timely information must be available and organized so that it supports the organization's mission, goals, and objectives. If the system does not meet these criteria, the system will probably not meet management's information needs.

Good information systems are important to helping the Department achieve its goal of funding operating costs from user fees.

Section 3-A:

### **The Department Is Implementing New and Efficient Information Systems**

The Department has implemented and is currently implementing new and more efficient information systems. Examples include the state park reservation, registration and reporting system, the geographical information system, and the license point-of-sale system.

The Department is designing the state park reservation, registration, and reporting system to replace the current manual processes. The reservation part of the system is currently operating. Reservations for all state parks are now made by calling the Austin headquarters office. Customer benefits include “one-stop shopping” for state park reservations, quick access to system-wide park information, expedited payment of fees, and easier and faster check-in upon arrival at parks. Department benefits include enhanced customer service and increased revenues resulting from increased state park usage.

The Geographical Information System provides the ability to assess trends in environmental conditions and document habitat changes. The system will help maintain a statewide perspective on future environmental challenges facing Texas.

The Department has contracted with a private vendor to implement a license point-of-sale system. It will allow more efficient statewide processing of hunting, fishing, and other licenses, resulting in enhanced customer service. It will also more efficiently capture customer information.

Section 3-B:

### **Ensure Timely Modernization of Information Systems**

Migration of many of the Department’s existing information systems to a more flexible server-based environment is not scheduled for completion until fiscal year 2000. These systems currently operate in an inflexible and inefficient mainframe environment.

The Department recognized the need to update its systems and started the planning phase of its Integrated Information Systems project in fiscal year 1992. Migration of applications from the mainframe to a client-server environment started in fiscal year 1994.

The majority of Department applications are written in older user languages and maintained on a mainframe computer. These old, inflexible application systems are hard to maintain and make the exchange and comparison of information from different systems difficult. These factors have resulted in management not having timely access to needed operational and financial information. The inflexible systems have also resulted in increased staff time being required to obtain information.

Effective use of information and related technology is pivotal to timely, efficient, and

cost-effective service delivery. Timely access to information will ensure that decisions are based on the most current information. Easier access to information will help ensure resources are more efficiently used.

The Integrated Information Systems project will migrate mainframe systems into a more flexible and efficient client-server based environment. This will allow more flexibility in data access and use of data from a variety of sources simultaneously and transparently.

Recommendation:

Complete efforts to modernize the information systems. Also, continue to review the migration plan to determine if ways exist to ensure a more timely completion of the critical systems.

Section 3-C:

**Obtain a More Efficient Financial System**

The current financial systems are inefficient and do not provide timely information. The various financial system modules are from 6 to 13 years old. Since the systems are old, they do not take advantage of recent and more efficient technology.

The Department has recognized and documented the inadequacies of its financial systems. A report detailing the inadequacies, titled *Financial Systems Alternatives Report*, was published August 31, 1994.

The report states that the current financial systems fail to meet many current agency needs. It says the systems are not well integrated due to the use of older technology and because system modules were developed over a long period. Many system tasks are labor intensive, requiring manual movement of data from one system to another. This makes it difficult to prepare timely financial reports.

Lack of system integration requires the manual compilation of the general ledger. There are no automated links for posting summary data to the general ledger from various supporting expense and revenue systems. Accounting compiles the general ledger on a personal computer from 11 different financial systems' month-end printouts. Having to compile the general ledger manually each month is inefficient and increases the risk of errors in the compiled information.

Maintenance of budget information is also inefficient. The current budget applications were installed in 1987. The Department's nine divisions and field locations can only get budget information from the system monthly. Since the budget system will not provide timely information, the divisions must maintain their own budgets on personal computers or manual ledgers. This results in increased costs since resources have to be allocated to maintain this information.

A new budget tracking system is scheduled for implementation in September 1995.

This system should provide more timely budget information. Features of the system include on-line access to and printing of budget information for the divisions. The system will also provide daily updates of budget information. Since the system was started after our on-site test work was completed, we did not evaluate the system.

Management should have access to timely financial information to help make informed decisions. Modern systems provide real-time, on-line access to information that is automatically updated as information is processed. The systems should also not require the use of inefficient practices such as the manual preparation of important financial reports.

Recommendation:

The Department should obtain a modern financial system that will provide information more efficiently and timely.

Section 3-D:

**Complete Development of Executive Information System**

The current information systems do not meet the financial and operational information needs of executive management. An adequately functioning executive information system has not been completed. A major hindrance to the system's development is the lack of integration of Departmental information systems.

Executive management has specific information needs that differ from operational managers' needs. Operational management is concerned more with information about day-to-day operations of their departments. Executive management needs information about overall financial and operational performance, information for strategic decision-making, and information on factors affecting future entity performance. If this information is not readily available, executive management's decision-making ability is hindered.

Recommendation:

Complete development of the executive information system.

Section 3-E:

**Complete Development of a Comprehensive Customer Information System**

A comprehensive customer information system is currently under development. This



system will maintain information on Department customers. The Department currently maintains customer information in different, nonintegrated systems, thus making it difficult to efficiently compare and compile customer data.

A comprehensive customer information system, which allows efficient access to data, is important to making informed marketing decisions.

Recommendation:

Complete development of the customer information system.

Section 3-F:

**Evaluate Costs of Using Different Hardware and Software for Common Applications**

The Department does not have a policy that requires use of standard hardware and software for commonly used desktop computer applications, such as word processing and spreadsheets. As a result, different hardware and software systems are being used. An evaluation of the cost effectiveness of using different systems has not occurred.

Use of different systems has resulted in inefficiencies. Using various hardware and software has resulted in increased development, support, and maintenance costs. Different systems have also increased the difficulty of sharing data and communicating between systems due to compatibility problems. Difficulties have also arisen in integrating the various systems into the local area network.

Several benefits result from using standard hardware and software for common desktop applications. Reduced purchase costs can result from volume discounts. Support and maintenance is easier since the knowledge required for these tasks is less for one system than for several systems. Communication and sharing of data is not a problem since there are no compatibility difficulties. Where local area networks are used, the standard applications can be accessed on the network. This allows control of the software versions being used, migration to common versions concurrently, and reduced license costs.

Recommendation:

Evaluate the cost/benefit of allowing different hardware and software use for commonly used desktop computer applications. Develop and enforce a policy based on the evaluation's results.

Section 4: CASH

## **Cash Controls Are Adequate**

Cash processes are providing reasonable assurance that cash is adequately controlled. As mentioned in the Information Management section of this report, a new automated budgeting module is planned for implementation in September 1995.

Section 5: STRATEGIC PLANNING

## **The Department Has a Well-Developed Strategic Planning Process**

The Department has a well-developed strategic planning process that provides reasonable assurance that the Department has identified what it should be doing and how it should be doing it. The Department's strategic plan is very comprehensive, and input was received from all levels of employees and many constituent groups.

Section 6: PERFORMANCE MEASURES

## **Performance Measure Controls Need Improvement**

Controls are not providing reasonable assurance that performance measure information is accurately reported. The development of additional executive management performance measures also needs to be completed.

Section 6-A:

### **Improve Controls to Ensure Accurate Reporting of Performance Measure Information**

Adequate control systems have not been implemented, or are not operating, to ensure accurate reporting of performance measures. Of the five performance measures we tested, three were inaccurately reported. During prior testing of performance measures we also found inaccuracies. A State Auditor's report, *An Audit Report on Performance Measures at 25 State Agencies* (SAO Report No. 94-136, August 1994), reported these findings.

Department management does not feel that some reported performance measures are useful for their purposes. This could contribute to the fact that adequate control systems are not in place.

Agencies are required to report information on performance to the Legislature. This information is intended for use by the Legislature to monitor agencies' progress and help evaluate how well those agencies are doing their jobs. This information may also be used to help determine funding priorities and levels. If reported information is inaccurate, it could hinder the decision-making ability of the Legislature.

Recommendation:

Design and implement adequate control systems to ensure accurate reporting of performance measure information to the Legislature.

Section 6 -B:

**Complete Development of Executive Management Performance Measures**

Although the executive director does use some performance measures, additional measures would enhance the monitoring of Department performance. The executive director has expressed a need for additional performance measures and is currently developing them.

A goal of the executive director is to develop measures that are meaningful to Department constituents. The executive director also wants these measures to provide information that will help constituents hold the Department accountable for its performance.

Executive management is responsible for ensuring the accomplishment of Department objectives. Formal performance measures can be an important monitoring tool. Monitoring of results is especially important when an organization is decentralized, like the Department. Defining these additional measures will also further communicate to operating managers what is important to executive management.

An important part of efficiently collecting performance information will require completion of the Executive Information System, which was discussed earlier.

Recommendation:

Complete development of additional executive management performance measures.

Section 7: ORGANIZATIONAL STRUCTURE

**Executive Management Structure Needs Review**

Organizational controls are providing reasonable assurance that the Department is structured in a manner conducive to communication and accomplishment of strategic plans. Although controls are adequate, a review of the top management structure is needed.

Section 7-A:

**Review Executive Management Structure**

The executive management structure may be inadequate for an agency the size and

complexity of the Department. Currently, executive management consists of only the executive director. One person having to carry out all the multidimensional tasks required of executive management at the Department is very demanding. The Department has about 2,800 employees, with three-fourths of them located across the State. Nine division directors and the executive office staff report to the executive director.

There are specific executive management tasks, and only those at the top of the organization can effectively accomplish them. For example, the Department serves several different constituencies. Maintaining relationships with these various customers is an important task of the executive director. There are also many functions, such as facility openings and conferences, that are important for the director to attend. These tasks can be very time consuming.

In many large and complex organizations, a team handles executive management work, rather than one person. Good information systems allow a flatter organization, but the Department's information systems, as previously discussed, need improvement. If all executive management tasks cannot be accomplished in a timely fashion, it could hinder executive management's effectiveness.

Recommendation:

Analyze top management tasks and determine if the structure of executive management should be changed.

Section 8: PROGRAM EVALUATION

## **Opportunities for Improvement Exist In Determining Customer Satisfaction**

Controls are providing reasonable assurance that programs are evaluated to determine whether the program was appropriate to meet the needs of customers and the Department's mission. Although the Department uses several ways to gain customer input, opportunities for improvement exist in determining the satisfaction of state park visitors.

Section 8-A:

### **Improve Process for Determining Satisfaction of State Park Visitors**

There is not a comprehensive process for determining customer satisfaction at state parks. The state park system is one of the most visible and customer reliant Department functions. During fiscal year 1994, there were more than 25 million state park visits.

The Public Lands Division, which operates state parks, recognizes the importance of customer satisfaction. The Division currently obtains customer feedback in a variety of ways. Park employees receive verbal feedback on services from park visitors. Some visitors phone or send letters of compliment or complaint. Some parks also do customer satisfaction surveys. In addition, the Division does customer surveys every five years as part of developing the Texas Outdoor Recreation Plan.

Although these are valid methods of determining customer satisfaction, improvements could further enhance the process. Some parks do not formally survey their customers. Customer satisfaction surveys can provide valuable and timely information for improving service quality. Without this input, it is more difficult to determine if customer needs are being met.

Today's customers demand products and services designed for their unique needs. Continual tracking of these needs is important. If customer needs are not met, this will hinder accomplishment of the Department's goal of reliance on user fees to cover operating costs.

Measures by which employees are evaluated are primary shapers of employees' values and beliefs. Currently, park managers are not formally evaluated on customer satisfaction since the Division does not routinely gather this information. Customer satisfaction surveys could provide this valuable performance evaluation information to Division management. The Division has recognized this need and is piloting a new park evaluation process that includes customer satisfaction as a performance evaluation component.

Recommendation:

Develop formal methods to gather timely information on park visitors' satisfaction, such as customer satisfaction surveys. Use this information to ensure customer needs are being met. Also, include customer satisfaction as an important performance evaluation component for park personnel.

Section 9: HUMAN RESOURCES

**Opportunities for Improvement In Training and Evaluation Procedures Exist**

Controls over the Department's human resources are providing reasonable assurance that employees have the skills to do their job, know what their job is, are properly trained and evaluated, and receive appropriate compensation. Although controls are adequate, opportunities for improvement exist in training and performance

evaluations.

Section 9-A:

### **Ensure Performance Evaluations Are Completed Annually**

Controls to ensure employees are formally evaluated annually, as required by Department guidelines, need improvement. During testing of a sample of employee performance evaluations, we found that 39 percent had not been completed annually. If evaluations are not done at least annually, employees will not receive timely feedback on their performance.

#### Recommendation:

Strengthen controls over performance evaluations to ensure they are completed annually, as required by Department guidelines.

Section 9-B:

### **Increase Management and Computer Training**

Department employees have expressed a need for more management and computer training. The Department is aware of these needs. The Human Resources Division is proposing a management training and development program.

Adequate training helps provide employees with the knowledge they need to do their jobs. Effective employee management and use of automated resources are enhanced by appropriate training.

#### Recommendation:

Complete plans to address the identified needs for more management and computer training.

Section 9-C:

### **Ensure Training Is Adequately Coordinated**

There are currently no formal procedures to ensure that training done by different divisions is coordinated. Several of the Department's divisions currently provide training. A few of the classes offered by some divisions have similar content.

Lack of formal coordination procedures is not currently resulting in excessive

duplication of training effort. However, if the training effort in these divisions increases, and other divisions begin training programs, excessive duplication of training could occur if formal coordination procedures are not adopted. Lack of training coordination could also result in the presentation of inconsistent information.

Recommendation:

Develop formal training coordination procedures to help ensure consistent and non-duplicative training efforts.

Section 10: AUTOMATION

## **Improvements Would Enhance Disaster Recovery Procedures and Access Controls**

Controls over the Department's automation resources are providing reasonable assurance that the general control environment and computer applications are properly developed, maintained, and protected. Although controls are adequate, improvements could enhance disaster recovery procedures and access controls.

Section 10-A:

### **Develop Comprehensive Disaster Recovery Plans for Server-Based Systems**

The Department has developed and implemented a comprehensive disaster recovery plan for their mainframe-based computer systems. However, comprehensive disaster recovery plans for some significant server-based systems have not been developed. These systems include the state park central reservation system, the geographical information system, and the headquarter's local area network. This condition exposes the Department to a risk of delays in processing critical information in the event of a disaster.

The state park central reservation system is responsible for making and maintaining reservation information for all state parks. Lost revenues and deteriorating customer relations could result if the system could not be recovered completely and in a timely manner.

An example of a disaster occurred to the state park central reservation system in July 1995. Due to an error by a contractor, the system was down for three and one-half days. During this time, the Department could not make park reservations.

Recommendation:

Develop comprehensive disaster recovery plans for server-based systems.

Section 10-B:

### **Strengthen Access Controls**

Immediate removal of a terminated employee's access to automated systems is not occurring. When access is terminated, it is done by changing their password, rather than by disabling and transferring their account to their supervisor.

Information Resources receives a monthly report from Human Resources listing terminated employees. At this time, Information Resources changes their passwords. Depending on their termination date, these former employees have access to automated systems from one to 30 days after the date of termination.

Employees should have their access to automated systems immediately removed upon termination. It is also a better control to disable and transfer their account to their supervisor, rather than just changing the password.

Automated systems are crucial to the Department's operations. Unauthorized system access increases the risk of errors and irregularities that could affect these systems.

#### Recommendation:

Remove an employee's access to automated systems immediately upon termination. Disabling and transferring their account to their supervisor would provide better control than just changing the password.

Section 11: QUALITY CONTROL

### **Improvements Would Enhance the Internal Audit Function**

Controls are providing reasonable assurance that the quality of Department products and services are evaluated throughout the delivery process. Although controls are adequate, opportunities exist to enhance the internal audit function.

Section 11-A:

### **Ensure Major Financial Systems Are Periodically Audited**

The Department's major headquarters financial systems have not received adequate audit coverage from the internal audit department. Although the Department has had an internal audit function for many years, they did not establish a department in accordance with the *Texas Internal Auditing Act* until fiscal year 1992. The *Texas Internal Auditing Act* states that all major control systems should receive periodic audits.



Systems that ensure the reliability and integrity of financial data should receive periodic reviews. Timely identification and correction of control system weaknesses may not occur if these systems are not periodically reviewed.

One reason it has been difficult for internal audit to cover all major systems has been a lack of resources. From April 1992 to March 1994, the internal audit department only consisted of the director. In March 1994, two staff members were added, which should increase internal audit's ability to periodically review all major systems.

Recommendation:

The internal audit department should periodically audit the headquarter's major financial systems.

Section 12: POLICIES AND PROCEDURES

## **Publication Policies and Procedures Need Improvement**

Policy and procedure controls are providing reasonable assurance that the Department has provided the policies and procedures that are necessary to conduct the operations of the Department. Although controls are adequate, improvements are needed in the policies and procedures for publications.

Section 12-A:

### **Strengthen Publication Policies and Procedures**

There are no Department-wide policies and procedures for publications. Each division is responsible for developing policies and procedures regarding their publications. There is no central review process to ensure publications are consistent with Department views and not duplicating efforts.

Divisions have published documents that have not represented Department views. This could result in public confusion concerning Department intentions, thus harming the Department's reputation. Clarifying conflicting information could also require management time.

The Department has a large number of publications. The Index of Publications lists 2,084 different publications as of July 1995. This listing only includes publications printed in the Department's print shop and not those printed by outside contractors. This large number of publications shows possible duplication of effort in information published.

Policies and procedures should exist to ensure that publications are consistent with the Department's views. Also, these policies and procedures should exist to prevent excessive duplication of effort. Without these policies and procedures, issuance of publications inconsistent with Department views could continue. Inefficient use of resources could occur because of duplicate information being issued by divisions.

Recommendation:

Develop publication policies and procedures to help ensure that publications are consistent with Department views and are cost effective.

Section 13: PURCHASED SERVICES

**Controls Over the Purchase of Services Are Adequate**

Controls over the purchase of services are providing reasonable assurance that accountability is maintained for services purchased rather than provided by the Department.

Section 14: DEBT

**Debt Controls Are Adequate**

Controls over debt are providing reasonable assurance that issuing debt is appropriate for the Department and that there is proper authorization and repayment of debt.

# Management's Response



**TEXAS  
PARKS AND WILDLIFE DEPARTMENT**  
4200 Smith School Road • Austin, Texas 78744 • 512-389-4800

ANDREW SANSON  
Executive Director

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SUSAN HOWARD-CHRANE  
Boerne

WALTER UMPHREY  
Beaumont

PERRY R. BASS  
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Ft. Worth

October 10, 1995

Mr. Lawrence Alwin, State Auditor  
Office of the State Auditor  
P. O. Box 12067  
Austin, TX 78711-2067

Dear Mr. Alwin:

Thank you for the opportunity to comment on the management audit report prepared by your staff. We appreciate the effort and initiative that your staff demonstrated in their field work and in preparation of their findings. The results are clear, tangible recommendations to further our path towards operational self-sufficiency and fulfillment of our mission.

In addition to providing strong suggestions for improvement, your recommendations are enhanced by the recent direction from our Commission that will set the course for the remainder of this century. They include the following initiatives which parallel the actions suggested in your plan :

- Establish firm goals and a formula for the reduction of deferred maintenance;
- Assess the impact of improved technology on our financial systems;
- Examine the department's publication program for improvements in efficiency and effectiveness;
- Produce an annual report which includes accountability measures;
- Assess the promotion needs of Texas Parks and Wildlife and develop appropriate marketing strategies;
- Implement a license point-of-sale system.

At this date we have adopted a capital budget of which 75% was devoted to repair, replacement and improvement of our infrastructure.



Mr. Lawrence Alwin  
Page Two  
October 10, 1995

Our annual report will be issued at the November Commission meeting which includes accountability measures. By November we will be underway with the pilot phase of our license point-of-sale system and into the development stages of our executive information and customer information systems. Additionally, our performance plan cycle for the new fiscal year will incorporate your recommendations for action regarding migration of our information systems to client server technology, disaster recovery planning, and an emphasis on training needs.

We have included in our response an attachment which outlines the specific management actions we plan to implement to address the needs identified in the report.

Finally, we appreciate the recognition of our efforts thus far. We are at the mid-point of a strategy that we believe is financially sound and will maximize the opportunity of all Texans to enjoy the outdoors.

Sincerely,

  
Andrew Sansom  
Executive Director

AS:JB:dr

# Responses and Action Plan

State Auditor's Recommendation	TP&W Response Action Plan	Timeframe	Responsible Individual/Division
<b>SECTION 1: Fixed Assets/Infrastructure</b>			
<b>Section 1-A: Address the Large Backlog of Repairs &amp; Capital Improvements</b>	Develop strategies to address the large backlog of repairs, renovations and capital improvements, through the use of a formula allocation.	December 85- December 86	Construction, Design, and Management Branch of Public Lands Division
	1. Establish current property info into CDM databases 2. Prepare a FY87 capital budget that is focused on existing infrastructure repairs. 3. Identify current and accurate replacement costs. 4. Develop a formula and acquire funding to meet the backlog. 5. Initiate management changes to more fully address the backlog as an institutional priority.		
<b>SECTION 2: Revenue</b>			
<b>Section 2-A: Efforts to Increase Revenue and Cut Costs Are Occurring</b>	No opportunities for improvement were noted.		
<b>Section 2-B: Develop a Comprehensive Marketing Plan</b>	Develop a comprehensive marketing plan including current customer information and involve the whole department in the implementation of the plan.	FY86	Marketing Branch of the Conservation Communications Division.
<b>Section 2-C: Complete Efforts to Improve the License Sales Process</b>	Complete implementation of point-of-sale including timely deposit of funds.	November 85 - May 86	Finance Branch of the CFO Division
<b>Section 2-D: Develop a System to Gather Complete Cost Effectiveness Information for the Texas Conservation Passport</b>	Determine the cost effectiveness of the TCP and provide information to the Legislature based on the analysis of cost and usage data.	Step 1 - FY86; Steps 2 & 3 - FY87	Conservation Communications and Public Lands

State Auditor's Recommendation	TP&W Response Action Plan	Timeframe	Responsible Individual/Division
<b>SECTION 3: Information Management</b>			
<b>Section 3-A: The Department is Implementing New and Efficient Information Systems</b>	No opportunities for improvement were noted.		
<b>Section 3-B: Ensure Timely Modernization of Information Systems</b>	Continue modernization of information systems and review for opportunities to hasten the migration plan.	Ongoing - FY96	Information Resources Branch of the CFO Division.
<b>Section 3-C: Obtain a More Efficient Financial System</b>	Obtain a financial system which will provide information timely and efficiently.	FY96 & FY97	Finance Branch of the CFO Division
<b>Section 3-D: Complete Development of Executive Information System</b>	Complete development of the Executive Information System.	FY96	Information Resources Branch of the CFO Division
<b>Section 3-E: Complete Development of a Comprehensive Customer Information System</b>	Complete development of the customer Information System.	FY96	Information Resources Branch of the CFO Division
<b>Section 3-F: Evaluate Costs of Using Different Hardware and Software for Common Applications</b>	Perform a cost/benefit analysis on standardization of desktop computer hardware and software and implement appropriate policy based on findings.	FY96; Step 4 - 3 years	Information Resources Branch of the CFO Division

State Auditor's Recommendation	TP&W Response Action Plan	Timeframe	Responsible Individual/Division
<b>SECTION 4: Cash</b>	No opportunities for improvement were noted.		
<b>SECTION 5: Strategic Planning</b>	No opportunities for improvement were noted.		
<b>SECTION 6: Performance Measures</b>	Ensure accurate reporting of performance measures.	December 95	Resource Divisions and Internal Audit staff
Section 6-A: Improve Controls to Ensure Accurate Reporting of Performance Measure Evaluation	A simple means will be established for tracking each performance measure and maintained at headquarters as required to provide an audit trail. Computations will be reviewed for accuracy by at least one supervisory level.	Initial measures are in place; Reporting will be ongoing	Executive Director and Division Directors
Section 6-B: Complete Development of Executive Management Performance Measures	Complete development of additional executive management performance measures.	January 96	Executive Director and Division Directors
<b>SECTION 7: Organization Structure</b>	Analyze top management tasks and review structure for improvements	FY88 & FY87	Public Lands Division
Section 7-A: Review Executive Management Structure	Executive Director will review structure and make changes as appropriate	1. Develop individualized customer surveys for each state park. 2. Provide regional training for conducting surveys. 3. Provided centralized support for analysis and train at local park level. 4. Implement performance standard.	
<b>SECTION 8: Program Evaluation</b>	Conduct customer satisfaction surveys, use the information to meet customer needs, and include satisfaction as a performance measurement for park managers.		
Section 8-A: Improve Process for Determining Satisfaction of State Park Visitors			

State Auditor's Recommendation	TP&W Response Action Plan	Timeframe	Responsible Individual/Division
<b>SECTION 9: Human Resources</b>			
Section 9-A: Ensure Performance Evaluations are Completed Annually	Management reports of performance evaluation status will be provided to Division Directors and the Executive Director for increased accountability.	FY96 & FY97	Human Resources Division; Division Directors, and Executive Director
Section 9-B: Increase Management and Computer Training	Address needs for computer and management training.	FY96	Training Branch of the Human Resources Division
Section 9-C: Ensure Training is Adequately Coordinated	Ensure consistent and non-duplicative training.	FY96	Information Resources Branch of CFO Division
	A comprehensive management training plan has been approved by the Executive Director and training courses are being developed. The Governor's Management Center will be used for additional management training. Computer training needs will be addressed in the following ways: 1. Increase the number of field office visits. 2. Purchase laptops for increased effectiveness of roadtrips. 3. Increase the use of tutorials and computers in the HQ training room. Develop formal procedure to ensure that training efforts are not duplicated; that training is provided to all relevant employees; and maximize training resources between all divisions.	FY96	Training Branch of the Human Resources Division



State Auditor's Recommendation	TPAW Response Action Plan	Timeframe	Responsible Individual/Division
SECTION 10: Automation			
Section 10-A: Develop Comprehensive Disaster Recovery Plans for Server-Based Systems	Develop comprehensive disaster recovery plans for server-based systems.	Six server based needs assessments were documented in FY96. Comprehensive recovery plans will be developed with user involvement.	Beginning FY96 - final completion date is dependent upon available resources.
Section 10-B: Strengthen Access Controls	Remove a terminated employee's access to automated systems in a timely manner.	An IR clearance form will become part of the termination package for employees. A terminating employee's files and other data will be transferred to the supervisor or another designated employee. This will enable IR to disable the login ID and password.	October 95
SECTION 11: Improvements Would Enhance the Internal Audit Function			Information Resources Branch of the CFO Division
Section 11-A: Ensure Major Financial Systems are Periodically Audited	Internal Audit should periodically audit the major financial systems.	FY96 risk assessment was altered to emphasize financial controls. Audit plan includes an audit of the major financial systems. This will replace some management audits.	FY96

State Auditor's Recommendation	TP&W Response Action Plan	Timeframe	Responsible Individual/Division
<b>SECTION 12: Policies and Procedures</b>			
<b>Section 12-A: Strengthen Publication Policies and Procedures</b>	Publications team is already addressing duplication of Department publications and providing an efficient distribution system. Their charge will be expanded to include the consolidation of current policies and procedures of all published information.	FY96	Conservation Communications Division; Publications Team
<b>SECTION 13: Purchased Services</b>	Ensure publications are consistent with agency views and are cost effective.		
<b>SECTION 14: Debt</b>	No opportunities for improvement were noted.		
	No opportunities for improvement were noted.		

## Objective, Scope, and Methodology

### Objective

Our objective was to evaluate the existing management control systems at the Texas Parks and Wildlife Department. We determined whether the control systems are providing reasonable assurance that Department objectives will be accomplished. We evaluated the control systems in place as of July 1995.

Management controls are the policies, procedures, and processes used to carry out an organization's objectives. They should provide reasonable assurance that:

- Goal are met.
- Assets are safeguarded and efficiently used.
- Reliable data is reported.
- Laws and regulations are complied with.

Management controls, no matter how well designed and operated, can only provide reasonable assurance that objectives will be achieved. Breakdowns can occur because of human failure, circumvention of control by collusion, and the ability of management to override control systems. Reasonable assurance does not imply that management controls systems will frequently fail.

### Scope

The scope of this audit included consideration of the Department's overall management control systems: policy management, information management, resource management, and performance management.

Consideration of the Department's policy management system included a review of:

- processes used to create, monitor, and adjust Department plans
- documents for strategic, operating, and work plans
- processes used to determine and implement changes to the organization structure
- establishment of Departmental policies and procedures

Consideration of the Department's information management system included a review of:

- processes for identifying, collecting, classifying, evaluating, maintaining, and updating information
- existing management reports
- timeliness and accuracy of information

Consideration of the Department's resource management system included a review of:

- processes used to create, monitor, and adjust Department budgets
- plans for budget system changes
- processes used to select, allocate, and monitor the performance of Department employees
- information on employee training and performance reviews
- revenue collection and identification processes
- processes used to ensure that fixed assets and infrastructure are economically purchased and used and adequately protected against waste and abuse
- development, maintenance, and protection of computers and computer applications
- processes for services that are purchased rather than provided by the Department
- debt issuance, authorization, and repayment processes

Consideration of the Department's performance management system included a review of:

- processes used to identify, track, and use performance measures
- processes used to evaluate programs and to ensure quality products and services

## Methodology

The audit methodology consisted first of gaining an understanding of how each control system was supposed to work. Tests were then performed to determine if the control systems were operating as described. Finally, the results were evaluated against established criteria to determine system adequacy and identify opportunities for improvement.

An understanding of the control systems was gained primarily through interviews with Department personnel, written questionnaires, and review of various Department documents. System testing was done by comparing the described and actual processes. This was primarily accomplished through document analysis, process and resource observation, and employee interviews.

The following criteria were used to evaluate the control systems:

- Statutory requirements
- General Accounting Office publication *Assessing Internal Controls in Performance Audits*
- General and specific criteria developed by the State Auditor's Office Inventory of Accountability Systems Project (see Appendix 4.1)
- State Auditor's Office Project Manual System: The Methodology
- State Auditor's Office Project Manual System: The HUB
- Other standards and criteria developed through secondary research sources both prior to and during fieldwork (see Reference List in Appendix 3)

## Other Information

Fieldwork was conducted from March 1995 through July 1995. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

No significant instances of noncompliance with these standards occurred.

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

- Dennis O'Neal, CIA (Project Manager)
- Les Bavousett, CPA
- Scott Bertrand
- Phil Kirk, MBA
- Bob Shultz, CISA
- Kevin Todd, CMA
- Charlie Hrcir, CPA (Audit Manager)
- Craig D. Kinton, CPA (Audit Director)

## **Background Information**

Appendix 2.1:

### **Department Profile**

#### **Mission**

The Department's mission is "to manage and conserve the natural and cultural resources of Texas for the use and enjoyment of present and future generations." The philosophy of the Department is to "balance outdoor recreation with conservation as they strive to achieve greater self-sufficiency." The Department seeks to manage and protect our natural and cultural resources while, at the same time, generate increased revenue by adding value through more and better public services.

#### **Background**

The Department provides outdoor recreational opportunities through managing and protecting wildlife and wildlife habitat and acquiring and managing parklands and historic areas. It has inherited the functions of several previous state entities designed to protect the natural resources of Texas. In 1895, the Legislature created the Fish and Oyster Commission to regulate fishing. The Game Department was added to the Commission in 1907. The State Parks Board was created as a separate entity in 1923. Projects of the federal Civilian Conservation Corps added substantially to the State's park lands in the 1930s.

In 1951, the term "Oyster" was dropped from the agency's name, and in 1963, the Parks Board and the Game and Fish Commission were merged to form the Texas Parks and Wildlife Department. The Legislature gave authority for managing fish (except shrimp and oysters) and wildlife resources in all Texas counties to the Parks and Wildlife Department when it passed the Conservation Act in 1983. Authority over shrimp and oysters was granted in 1985. Previously, commissioners courts had set game and fish laws in many counties, and other counties had veto power over department regulations.

#### **Organization**

The policy-making body of the Department is a nine-member commission, appointed by the governor with the advice and consent of the Senate for overlapping six-year terms. The Department is essentially a field organization, with more than 75 percent of the Department's 2,800 employees located at state parks, wildlife management areas, fish hatcheries, research facilities, and field offices throughout the State.

The Department is organized into the following nine divisions: Public Lands, Wildlife, Coastal Fisheries, Inland Fisheries, Law Enforcement, Resource Protection, Conservation Communications, Chief Financial Officer, and Human Resources.

Appendix 2.2

### **Financial Information**

Figure 1

## TPWD FY94 Revenues

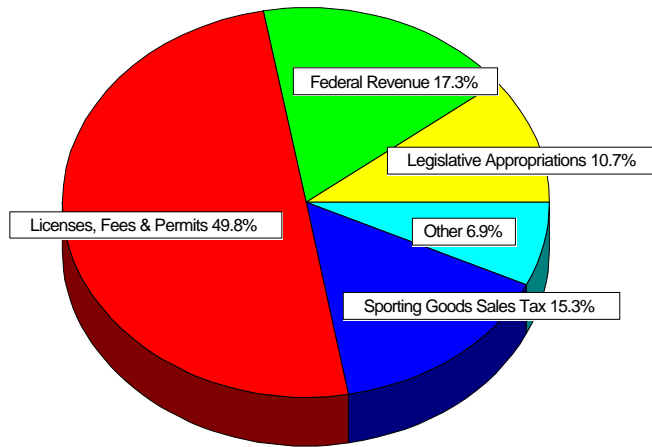
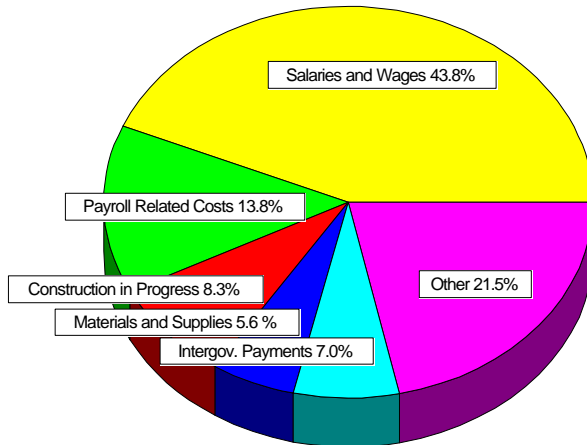


Figure 2

## TPWD FY94 Expenditures



The Texas Parks and Wildlife Department had revenues totaling \$165,885,511 for fiscal year 1994. The largest (\$82,566,016 or 49.8 percent) revenue producer was Licenses, Fees, and Permits. The Department's fiscal year 1994 expenditures totaled \$169,471,562. Salaries and Wages accounted for 44.8 percent (\$74,287,020) of the total expenditures. Payroll related costs accounted for another 13.8 percent of the expenditures.

Appendix 3:

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Appendix 4:

## **Accountability Systems**



# Accountability Systems

Key accountability systems are the controls an agency uses to ensure that what should happen does happen. Accountability systems are established by management to achieve expected results, to establish and maintain an environment that protects against scandals and financial disasters, and to ensure that resources are used economically and effectively.

## KEY ACCOUNTABILITY CONTROL SYSTEMS OF STATE AGENCIES AND UNIVERSITIES

Policy Management			Information Management
Strategic Planning	Organization Structure	Policies & Procedures	
Environmental Scans Risk Assessment Mission Analysis Goal Setting Budgeting Action Plans Measures Monitor/Review Evaluate/Revise	Board/Mgt. Oversight Responsibility Assignment Authority Assignment Staffing Levels Functional Groups Evaluation	Development Documentation Communication Enforcement Review Revisions	Selection Collection Classification Evaluation Reporting Storage Updating

Resource Management								
Human Resources	Cash	Investments	Inventory	Fixed Assets/ Infrastructure	Purchased Services	Revenue	Debt	Automation
Recruitment/ Selection Training Job Descriptions Evaluation Compensation	Receipts Disbursements Balances Management Custody Collateral Allocation	Acquisition Custody Collateral Performance Disposal	Acquisition Storage Usage Disposal	Acquisition Construction Safeguarding Maintenance/ Renovations/ Depreciation Disposal	Service Definition Contract Design Contracting Monitoring	Identification Collection Enforcement Resolution	Needs Analysis Authorization Issuance Performance Disposal	Needs Analysis Development Cycle Physical Security Disaster Recovery Access Input Processing Output/ Distribution Interfaces

Performance Management		
Performance Measures	Program Evaluation	Quality Control/ Assurance
Progress Tracking Evaluation Alignment	Appropriateness Customer Satisfaction Alignment	Benchmark Monitoring Feedback Adjustment

Accountability systems are grouped into four major *management areas*. These are **policy management, information management, resource management, and performance management**. Generally, the systems related to policy, information, and resources will cut across all aspects of an agency's operations. Performance management systems may often be associated with specific strategies (programs) of the agency.

Under each management area are various *control areas*. Examples of the control areas are strategic planning, organization structure, human resources, cash, etc. The control areas consist of activities or resources that are generally found at all agencies. Some may be more significant than others to a particular entity. Some of these control areas, such as investments or debt, may not be applicable to a particular agency.

Each control area covers several *processes* that should exist for that activity or resource. Examples of the processes include environmental scans and risk assessment for strategic planning and recruitment and training for human resources. These processes are where the foundations of the accountability systems are established. The agency should have controls in place for each process that is significant to their operations.

The following tables explain the elements of each control area and process identified in the Key Accountability Systems chart.

<b>POLICY MANAGEMENT</b>	
<b>Strategic Planning</b> - The processes in this control area should be designed to ensure that the agency has identified what it should be doing and how it should be doing it. The "how" includes how available resources are allocated.	
Environmental Scans	Establishing ongoing processes to identify and use outside expectations and environmental factors - includes consideration of impact on other agencies and coordination with other agencies to avoid duplication of effort
Risk Assessment	Identifying and analyzing the risks that could interfere with achievement of the agency's objectives, forming a basis for determining how the risks should be managed and prioritized
Mission Analysis	Developing a mission statement that reflects legislative interest and incorporates the environmental scans and risk assessment - reviewing this statement on an ongoing basis
Goal Setting	Evaluating present condition and identifying future goals, objectives, and strategies
Budgeting	Identifying and allocating the resources needed to accomplish the goals, objectives, and strategies
Action Plans	Developing the specific operating plans necessary to accomplish the goals, objectives, and strategies
Measures	Developing ways to measure the progress toward achievement of goals, objectives, and strategies

**POLICY MANAGEMENT (continued)**

Monitor/Review	Ongoing monitoring of progress toward achievement of all strategic plans - goals, objectives, and strategies; more than just monitoring performance measures
Evaluate/Revise	Reviewing the strategic planning items - mission, goals, budgets, etc. - and determining whether the decisions made during planning are still appropriate and revising them if not

**Organizational Structure** - The processes in this control area should be designed to ensure that management has structured the agency in a manner conducive to communication and accomplishment of the strategic plans.

Board/Management Oversight	Board/Management approving and monitoring the strategic planning and implementation of the plan - taking an active and appropriate role in <u>overseeing</u> the activities of the agency, not micro-managing the day-to-day operations
Assignment of Responsibility	Clearly assigning the lines of responsibility for core processes so that each person involved knows what their responsibility is
Assignment of Authority	Clearly assigning the authority commensurate with responsibility so that each person involved knows what their authority is
Staffing Levels	Reviewing staffing levels to ensure that the resources are allocated appropriately to accomplish the strategies
Functional Groups	Grouping similar tasks into work units for maximum efficiency and coordination
Evaluation	Periodically reviewing the organization structure to determine whether changes are needed

**Policies and Procedures** - The processes in this control area should be designed to ensure that the agency has provided the policies and procedures that are necessary to conduct the operations of the agency.

Development	Developing policies and procedures where needed for all of the agency's operations - developed by appropriate level in organization
Documentation	Putting the agency's policies and procedures in writing
Communication	Communicating the policies and procedures to all employees within the organization

**POLICY MANAGEMENT (concluded)**

Enforcement	Ensuring the policies and procedures are carried out as intended and taking corrective action when needed
Review	Periodically reviewing the established policies and procedures to determine whether they are still applicable and necessary
Revisions	Revising the policies and procedures to keep up with changes in the environment and the agency's strategic planning

**INFORMATION MANAGEMENT**

The processes in this control area should be designed to ensure that the agency knows what its information needs are, that this information is available and accurate, and that it is appropriately maintained.

Selection	Identifying <u>what</u> information is needed for all levels of the organization - executive and operational
Collection	Gathering the information from appropriate sources
Classification	Classifying information to accurately reflect what has occurred and organizing it so that it can be used
Evaluation	Analyzing the information that is available for decision-making
Reporting	Delivering information in a complete, accurate, and timely fashion to those who need it - both internal and external users
Storage	Storing information so that it is accessible and available for later use - this may include legal requirements to keep information for a certain time period
Updating	Maintaining the information and keeping it up-to-date

## RESOURCE MANAGEMENT

**Human Resources** - The processes in this control area should be designed to ensure that the employees have the skills to do their job, know what their job is, are trained so that they can do their job effectively, are evaluated on their performance, and are appropriately compensated.

Recruitment/ Selection	Effectively matching applicant skills and interests with agency staffing needs, job requirements, assignments, and tasks in a manner that complies with agency goals and applicable laws
Training	Providing on-the-job and formal training for employees as needed for them to perform their job effectively
Job Descriptions	Providing summaries of the most important features of a job, including duties and responsibilities and the level of work performed for all employees; includes minimum qualifications
Evaluation	Assessing job performance of employees in a way that helps develop the employees and contributes to the agency's mission
Compensation	Ensuring compliance with an established compensation system, including salary and payroll administration, classification

**Cash** - The processes in this control area should be designed to ensure that the cash activity of the agency is adequately controlled. "Cash" is the resource that has the highest risk of fraud/abuse and should be controlled accordingly.

Receipts	Controlling and protecting all incoming cash until it is deposited
Disbursements	Ensuring that all payments are authorized and appropriate
Balances	Monitoring, reconciling, and confirming cash balances to ensure accuracy of recorded activity
Management	Managing the cash flow of the organization - including how federal funds are requested - allowability of interfund borrowing
Custody	Safeguarding any cash that is held by the agency or a depository agent
Collateral	Requiring a depository agent to provide adequate collateral to cover the amounts on deposit - monitoring collateral levels
Allocation	Recording receipts and disbursements to the right object/strategy and allocating indirect costs appropriately

**RESOURCE MANAGEMENT (continued)**

**Investments** - The processes in this control area should be designed to ensure that sound investment decisions are made and that investments are protected, authorized, and maximized.

Acquisition	Identifying who is authorized to initiate investment purchases and ensuring that only authorized, legal investments are made
Custody	Safeguarding any investments held by the agency or a depository agent
Collateral	Requiring a depository agency to provide adequate collateral when required - monitoring collateral levels
Performance	Establishing an investment policy and reviewing the results of applying that policy - should include conflict of interest restrictions
Disposal	Identifying who is authorized to sell or redeem investments and ensuring that all proceeds are appropriately delivered to the agency

**Inventory** - The processes in this control area should be designed to ensure that inventories are effectively managed, economically purchased and used, protected against waste and abuse. The cost effectiveness of inventory management should be considered.

Acquisition	Purchasing inventory in accordance with agency needs (economic order points, stock levels, quality criteria) and legal requirements, including bids where applicable
Storage	Storing inventory so that it is protected from theft, exposure to elements, and waste - keeping track of inventory on hand, including periodic counts-evaluating storage and distribution costs
Usage	Using inventory for legitimate and authorized purposes
Disposal	Disposing of obsolete inventory, when necessary, in a manner to minimize loss - disposing of hazardous materials in compliance with local, state, and federal requirements - methods to identify when inventory is obsolete

**Fixed Assets/Infrastructure** - The processes in this control area should be designed to ensure that fixed assets - both capitalized and non-capitalized - and infrastructure are economically purchased/constructed, economically used, and adequately protected against waste and abuse.

Acquisition	Purchasing fixed assets in accordance with agency needs and legal requirements - including bids where applicable - obtaining legal titles to real and other property where applicable
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**RESOURCE MANAGEMENT (continued)**

Construction	Managing the construction of assets from conception through completion of the project
Maintenance/ Renovation	Analyzing the condition of fixed assets and determining the need for repair or renovation - repairs/renovation are cost effective
Safeguarding	Storing fixed assets so that they are protected from theft, exposure to elements, and waste - keeping track of fixed assets, including periodic counts - assigning responsibility for items
Depreciation	Assessing the wear and tear on fixed assets over time to help determine need for replacement and/or repair
Disposal	Disposing of obsolete assets, when necessary, in a manner to minimize loss - disposing of assets in compliance with state and federal requirements - method of identifying when assets are obsolete

**Purchased Services** - The processes in this control area should be designed to ensure that accountability is maintained for services that are purchased rather than provided by the agency.

Service Definition	Clearly defining the work to be done and preparing for the RFP process - identifying and analyzing the need for purchased services - identifying applicable legal provisions
Contract Design	Writing comprehensive and enforceable contracts - including all necessary elements and performance requirements in the contracts
Contracting	Selecting the best service provider - including bid solicitation and awarding contracts - considering past performance of contractors- prohibitions against conflicts-of-interest
Monitoring	Monitoring the performance of contractors against the terms of the contract - taking actions against contractors when needed - monitoring the performance of contractors against the agency's strategic plans (performance measures for contracting vs. providing service)

**Revenue** - The processes in this control area should be designed to ensure that all revenues that should be collected have been received and that all potential revenues have been identified.

Identification	Identifying all potential sources of revenues to maximize use of state and other funds
Collection	Identifying revenues that should have been collected and verifying that they have been collected - informing payees of the obligation

**RESOURCE MANAGEMENT (continued)**

Enforcement	Auditing and other enforcement procedures to collect revenues due to the state that have not been received
Resolution	Settling disputes with taxpayers for taxes and other sources of revenue for which payment is protested - either through the protest or the redetermination process

**Debt** - The processes in this control area should be designed to ensure that it is appropriate to issue debt and that there is proper authorization and repayment of bonds and long-term debt.

Needs Analysis	Analyzing cash flow and agency needs to decide when debt should be issued, how much debt should be issued, and what type of debt should be issued
Issuance/ Authorization	Issuing debt is done in accordance with legal and policy requirements
Performance	Determining whether it is best to repay, retire, or refund debt - reviewing decisions about debt management to determine whether they were sound decisions - ensuring that the agency is complying with bond covenants
Disposal	Disposing of debt by repayment, retirement, or refunding is done in accordance with legal and policy requirements

**Automation** - The processes in this control area should be designed to ensure that the general environment and computer applications are developed, maintained, and protected.

Needs Analysis	Analyzing the needs of the agency before purchasing/developing new systems - both hardware and software - to determine what needs exist and to ensure that they can be met
Development Cycle	Systematically working through the process of developing systems to ensure that the systems are planned, monitored, tested, and evaluated
Physical Security	Providing an environment for the hardware and software that protects them from damage by elements - water, temperature, fire, etc. - and by unauthorized individuals
Disaster Recovery	Developing, maintaining, and testing a plan to keep computer operations going in the event of a disaster
Access	Limiting access to systems and applications to only those employees who need it for their job responsibilities



**RESOURCE MANAGEMENT (concluded)**

Input	Validating that data entered is authorized and accurate - edits, totals, etc.
Processing	Validating that all transactions entered are processed - edit checks, batch totals, etc.
Output/ Distribution	Reviewing output to ensure that it is complete and limiting availability and distribution of output to only those employees who need it for their job responsibilities
Interfaces	Determining interface needs of the agency - designing and testing interfaces to ensure completeness and accuracy of data exchange

**PERFORMANCE MANAGEMENT**

**Performance Measures** - The processes in this control area should be designed to ensure that progress toward achievement of objectives is routinely and accurately measured and that the information is used to improve performance (evaluating whether the programs are working).

Progress Tracking	Designing methods for effectively and efficiently capturing performance measure information - routinely gathering the information
Evaluation	Monitoring and reviewing the performance measures system to ensure its accuracy, usefulness, and effectiveness
Alignment	Aligning performance measures with strategic plans when there are changes in the entity mission or structure or when measures are determined not to be useful or effective

**Program Evaluation** - The processes in this control area should be designed to ensure that programs are evaluated to determine whether the program was the appropriate program to meet the needs of the people it serves and the mission of the agency.

Appropriateness	Evaluating the allocation of resources between programs and whether programs are accomplishing the intended results
Customer Satisfaction	Identifying if customer's needs are being met and if the delivery of products/services has been conducted to the satisfaction of the people receiving it

**PERFORMANCE MANAGEMENT (concluded)**

Alignment	Revising programs/allocations between programs to accomplish the intended results if they are not and to align with strategic planning if the agency's mission or structure changes
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**Quality Control/Assurance** - The processes in this control area should be designed to ensure that the quality of the products and services delivered are evaluated throughout the delivery process.

Benchmarking	Identifying what "good" delivery looks like - what acceptable error rates are
Monitoring	Routinely monitoring the operations of the agency to determine achievement of benchmarks - includes determining adherence to policies and procedures - includes monitoring of subrecipients and internal audit
Feedback	Providing results of the monitoring to the people performing the operations and those managing the operations
Adjustment	Improving procedures based on the results of feedback from the monitoring function - making the changes necessary to achieve the benchmarks