

Board of Private Investigators and Private Security Agencies - Small Agency Mgmt. Control Audit

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Overall Conclusion

The Board of Private Investigators and Private Security Agencies (Board) needs to improve controls over information management, financial and human resources, and performance management systems. More specifically, the Board needs to address control issues regarding criminal background checks, backlog of investigations, automated system security, processing of accounting data, and changes to human resource laws. In addition, the Board needs to comply with statutory requirements for licensing agencies.

The Board is responsible for examining, licensing, and regulating persons engaged in private security professions. In fiscal year 1994, the Board had 46 employees and operating expenditures of more than \$2.25 million.

Section 1: Performance Management

The Board Needs to Strengthen Enforcement Effort over Licensees

The Board is not performing national criminal history checks on its licensing applicants and, for fiscal year 1995, the Investigation Division had an average backlog of 5,400 investigation cases. The Board's statutes identify numerous criminal and ethical violations as reasons for license denial, revocation, suspension, or penalty assessment. For the Board to accomplish its mission, national criminal history checks need to be performed, the investigation process needs to be evaluated, and the backlog of investigations needs to be decreased.

Section 1-A:

Implement National Criminal History Checks on Licensees

The Board is only performing criminal history checks on Texas criminal records maintained through the Department of Public Safety (DPS). National criminal history checks, also available through DPS, would provide information on individuals who have committed crimes in other states as well.

The lack of national criminal history checks may allow an individual who has committed a felony or serious crime of moral turpitude in another state to be licensed with the Board, in violation of the Board's statutes [V.A.C.S., Article 4413 (29bb) section 11B(a)] and rules (section 423.1). Effective September 1, 1995, the Board's enabling statutes were updated to include specific language that clarified the Board's authority to obtain national criminal background checks.

Recommendation:

We recommend that the Board perform background checks using both national and state criminal history data bases for screening new applicants and existing licensees.

Management's Response:

The agency wholeheartedly agrees with the recommendation for national criminal history background checks. Legislation which went into effect September 1, 1995 at last empowers the agency to seek the fees from applicants that is necessary to do the FBI checks and checks are already being made. It should be noted that national crime data includes only felony and violent crime information; it does not include most misdemeanor crimes involving moral turpitude. Most misdemeanor crimes involving moral turpitude can still only be checked through Texas criminal history records.

The agency began this program as soon as the legislation went into effect that authorized the agency to collect the fees necessary to make the FBI checks. The state criminal history checks have always been made. The agency agrees that the FBI checks should be done on all applicants and the existing licensees.

Auditor's Follow-up Comment:

Based on our research, we believe that the Board had the authority before the passage of S.B. 1542 to assess fees to cover costs associated with obtaining the national criminal history information. This matter was clarified with the passage of this bill. The Board has committed to performing the national criminal history checks. National checks have already been performed on several of the license categories, and the Board is drafting updates to agency rules.

Section 1-B:

Evaluate the Methods Used to Prioritize and Process Investigation Cases

During fiscal year 1995, the Board averaged a case backlog of approximately 5,400 investigations, which is 46 percent of cases opened during that year. The agency employs nine investigators who had an average caseload of approximately 2,000 cases for fiscal year 1995. Concerns over backlogs in the Investigation Division were addressed in a 1992 SAO report, *Results of the Special Review of the Texas Board of Private Investigators and Private Security Agencies* (SAO Report No. 94-124, May 1992). That report recommended that the agency conduct a study to determine a reasonable caseload level per investigator, which would result in identifying methods to reduce or eliminate the case backlog and expedite the investigative process. This study was not performed by the Board.

During this audit, we reviewed the controls over the management of investigation cases and found that the Board is not ensuring the timely processing of complaints against licensees that have committed serious violations of law. Specifically, we identified the following weaknesses:

- The Investigation Division is not periodically providing executive management and the Board with performance information such that an evaluation of investigation efforts can be made. Furthermore, while the Board implemented a prioritization schedule in fiscal year 1991, which classifies cases based on the severity of an alleged violation, we were unable to obtain data, by priority classification, on the investigation case backlog or investigators' performance, such as:
 - the number of backlogged cases by priority
 - the number of days each investigation has taken as of a specific date by priority classification
 - the number of investigations closed per investigator
 - the caseload priority makeup for each investigator
 - the length of time it takes to verify that an alleged violation has occurred by case
 - the average time it takes to process a case by priority

- Case resolution time frames, as dictated by the agency's case prioritization schedule, frequently were not achieved. We reviewed 30 investigation case files (in which 20 were high priority cases) and noted:
 - 47 percent (8 of the 17 cases resolved) took more than the expected 60 to 120 days to process, with an average processing time of 290 days.
 - Of the 13 cases unresolved, 12 were high-priority cases (expected processing time of 60 days) with an average processing time of more than 337 days as of May 4, 1995.

The Board's enabling statutes require timely investigation of complaints against its licensees. The agency's use of performance information would provide a means for evaluating the efficiency and effectiveness of the investigative processes, investigator efforts, and prioritization schedule.

Recommendations:

In order to address issues identified in this audit, as well as those documented in the prior SAO report, we recommend that the Board evaluate the methods used to prioritize and process investigation cases. The evaluation should identify ways to expedite the investigative processes and decrease the backlog. In addition, executive management and the Board should receive performance information on the status of cases from the point they are received to the time they are closed. Such statistical information should include, at a minimum, the following data:

- the number of cases by priority that are opened, closed, or still pending
- the number of cases that are closed and forwarded to the Hearings Division by priority
- the number of cases that are closed with no further action by priority
- the average case processing time by priority type
- the number of cases that make up the backlog by priority

- the number of investigations resolved per investigator by priority
- the length of time it takes an investigator to reach key milestones in the investigative process, such as:
 - first contact made with the complainant
 - first contact made with the licensee
 - case closure
- the caseload priority make-up for each investigator

Management's Response:

The agency has long been concerned about the backlog of investigative cases and agrees that every effort should be taken to reduce the backlog. The agency has made numerous efforts in the past years to streamline procedures. Senate Bill 1542 was recently passed by the legislature and became effective September 1, 1995. The bill empowers the agency to summarily suspend or deny licensure to persons arrested, indicted or convicted of a felony or misdemeanor crime involving moral turpitude. This enabling legislation will do much to reduce the agency's backlog of cases because no investigation is necessary.

A study of the prioritization schedule and backlog will be done by the staff and forwarded to the Executive Director with recommendations by the close of fiscal 1996.

The quarterly reports reviewed by the Chief of Investigation Division will be periodically forwarded to the Executive Director for review. These reports provide the statistics addressed in items 1 through 6 herein. Documentation for these reports will be maintained on file for a three year period.

Section 2: Information Management

The Board Needs to Implement and Administer Controls over Management Information Systems

Information relevant to agency operations was not sufficiently safeguarded or appropriately maintained. Information management systems should be developed, updated, and safeguarded to ensure that information provided to decisionmakers is current and accurate.

Section 2-A:

Develop a Disaster Recovery Plan

The Board has not developed a formal disaster recovery plan for its automation system that complies with Department of Information Resources (DIR) guidelines. The Board relies extensively on information maintained on its automated system,

therefore, it is essential that its data be safeguarded and a compatible alternative computer system be available.

While the Board stores its back-up tapes off-site, it only backs up its system data twice a week. Additionally, the Board has not formalized arrangements to use another computer should its own computer be non-functioning. A formal plan which addresses data back-up and alternative computer resources helps ensure that the agency can operate effectively with minimal disruptions in the event of a disaster.

In addition, the agency relies solely on one individual for computer applications programming support. Critical agency operations (e.g., licensing and enforcement) would be significantly hindered should this person be unavailable for an extended period of time.

Recommendations:

We recommend that the Board implement a formal disaster recovery plan that complies with DIR guidelines to ensure that the agency can operate effectively in the event of the destruction of the agency's primary files. This plan should address:

- daily system backups
- alternative operating site (i.e., a contract with another entity that has a compatible computer system)

The Board should evaluate the cost/benefit of contracting with their vendor or a state agency for emergency programming expertise. The Board should also enhance its internal documentation of computer applications as a means of retaining more of the programmer's knowledge.

Management's Response:

Automated services has designed and implemented a Disaster Recovery Plan based on DIR guidelines that covers all areas of computer systems backup and recovery.

At present all backups to the system are done two times a week. However, daily backups of all changed files and updated data are currently done and are used as supplementary data to the full backups that are done twice a week. The aforementioned Disaster Recovery Plan addresses the data recovery and alternate site requirements that would be used in the event that the agency's automated services were to be rendered inoperative.

The agency is evaluating the cost-benefits of contracting for emergency programming expertise. Procedures have been implemented that will insure all applications and computer support are not the sole responsibility of one individual. Another person is being trained on the agency's development system.

Section 2-B:

Tighten Access Controls to the Agency's Automated System

While the Board controls access to its computer system and program applications through the use of identification codes and passwords, the following weaknesses in access controls exist:

- Twenty-six employees have access to change the default codes in the licensing data base which could result in licenses being improperly issued or denied.
- User passwords are changed only annually.
- The automated system does not maintain a log of invalid access attempts. It also does not limit the number of invalid access attempts for dial-in sessions, disable user accounts which commit access violation, or terminate users after a period of inactivity.

Automation access controls ensure that the agency's critical information is safeguarded from accidental or intentional modification or destruction.

Recommendations:

We recommend that the Board:

- Establish a hierarchy of access (i.e., read only, add, change, delete) that limits employees' ability to affect licensee data based on their job responsibilities.
- Require users to change passwords at least semi-annually.
- Modify the application system to maintain a record of valid or invalid access attempts. This record should be reviewed daily. The agency should also consider disabling user accounts which commit access violations.
- Implement a system monitoring application which terminates users after a specified period of inactivity.

Management's Response:

The agency has always had a hierarchy of access. All changes to sensitive data are documented and archived so that mistakes are avoided and responsibility for incorrect changes is assigned. The twenty six individuals have been re-evaluated and several employees have had this authorization canceled. It should be noted that employees with access to change codes within the systems have access only to those areas that apply to their job functions.

At present, all Novell passwords are changed every three months. Policy has been changed so that UNISYS passwords are changed every six months.

All invalid login attempts are documented by Novell and reviewed on a daily basis by computer room personnel. The UNISYS system is also capable of this and the required system options will be set to allow this to begin at once. The agency will disable the user accounts of individuals which commit access violations and disciplinary measures will be taken.

All users are terminated after a period of inactivity is detected on the Novell and UNISYS systems. In addition, all users are terminated at 5:00pm weekdays (unless otherwise coordinated). The system is unavailable during weekends.

Section 2-C:

Maintain Supporting Documentation for Performance Measures

The Board did not maintain sufficient documentation to support information reported for the performance measures "Total Number of Investigations Conducted" and "Total Number of Individuals Licensed" in fiscal year 1994. A computer printout was maintained for each calculation that listed the totals, but a detailed list supporting the totals could not be produced.

Agency management and the Legislative Budget Board rely on accurate performance measure reporting to evaluate current agency operations, determine the appropriate corrective action needed, and assess the need for future funding levels for specific programs. Inaccurate reporting of performance measure results could lead to inappropriate action being taken by these parties.

Recommendation:

We recommend that the Board maintain detailed supporting documentation for performance measures that are reported at the end of each fiscal year to the Legislative Budget Board via the Automated Budget and Evaluation System of Texas (ABEST).

Management's Response:

Modifications to procedures have been made to ensure that detailed lists which support all totals used in performance measure reporting are maintained on file and available for inspection.

Section 2-D:

Enforce Controls for Processing Open Records Requests

The Board's staff does not consistently use the required forms developed to track open records requests and document the estimated and actual costs of the requests. We examined 20 open records request files (ten each from fiscal years 1994 and 1995) and identified the following exceptions:

- 50 percent (10 of the 20) did not contain applicable documentation for the processing of the open records request.
- 35 percent (7 of the 20) did not contain adequate documentation of the fees assessed. Of the seven, two were incorrectly calculated, and for the remaining five, the auditor was unable to verify the propriety of the assessed charges.

In addition, we identified two requests for documents that were listed on the Board's records retention schedule as "readily available" documents that did not appear to meet this definition.

According to the Open Records Act (Texas Administrative Code, §111.61-.70), it is suggested that all agencies use a billing form to itemize charges for public information. The Act also suggests that some open records request fees be waived if the request is for readily available information.

Recommendations:

We recommend the Board enforce the use of the agency-developed open records request forms to ensure that the processing of the request and the assessment of associated fees are adequately supported. The Board should also ensure that correct fee amounts are calculated and charged for all open records requests in accordance with General Services Commission guidelines.

We also recommend the Board revise its records retention schedule to reflect what is actually "readily available" and the length of time records are to be retained.

Management's Response:

Open Records procedures and forms will be reviewed periodically to assure accurate billing and correct documentation. A study of the Open Records process will be made and the procedures streamlined where possible.

Section 2-E:

Document Procedures on Agency Processes

The Board has not developed written procedures for several areas of agency operations, including licensing, examinations, hearings, and accounting. For

example, the Board's staff relies on general guidelines for experience requirements outlined in the Private Investigators Board's enabling legislation [V.A.C.S., Article 4413 (29bb), §14] when reviewing examination applications. However, these guidelines may not ensure consistency in determining whether the applicant meets experience requirements for licensure.

Documented procedures and guidelines help ensure consistency, facilitate training of personnel, provide for coordination among different departments, and improve efficiency through standardization of action.

Recommendation:

We recommend that the Board develop written procedures over licensing, examinations, hearings, and accounting. The Board should consider including review and approval procedures for each agency process.

Management's Response:

Management has long been aware that written procedures are needed in all areas of operation. This is evidenced by incomplete procedural documents begun by virtually all management level personnel at various points in time, procedural memoranda hastily prepared in response to training needs and written procedural memoranda prepared in response to changes in procedure. Lack of such procedures has not occurred due to lack of understanding of basic management concepts. Rather, time has been the enemy. Workloads are past optimum for all management staff and functions directly related to execution of legislative mandate have dictated priorities.

Flow charts have been prepared for the major functions of each department. All agency functions will be identified by mid-fiscal year 1996. At that point a completion date for establishing written procedures can be targeted. Each division will then begin to prepare written procedures for each function within the division with one function targeted per quarter for each division. During the same time period, written procedures for agency wide functions will be developed. This timetable may seem slow; however, it is simply not pragmatic to prioritize this project due to time constraints, limited staff and limited budget.

During Fiscal Year 1996, the Board will begin developing comprehensive written procedures and guidelines for the accounting procedures. This will be accomplished by compiling the following: Comptroller Accounting Policy Statements; Agency Automation Techniques; Procedures for USAS, SPA, USPS, HRIS, the agency's method of handling return checks, personnel, payroll, payables, receivables, deposits, purchasing, inventory, data entry, returning mail items, mailouts, mail processing, printing requests, board meeting preparation, minutes, interagency requirements for reporting. As will be noticed, this is a very large project that will need to be completed by an already overworked staff. This task seems to be a duplication of efforts of some agencies who have already set up these procedures in detail.

The Board Needs to Strengthen Controls over Resource Management Systems

The Board has not implemented sufficient controls over accounting functions, including cash disbursements, cash receipting, fixed assets, payroll, time keeping, and travel voucher processing. In addition, some of the Board's human resources procedures have not been updated to reflect recent changes in state and federal laws.

Section 3-A:

Strengthen Controls over Accounting Functions

In our review of the current system of accounting controls, we identified the following weaknesses:

- **Cash Disbursements** - Sufficient supporting documentation for cash disbursements is not maintained by the Board. Nine of the 20 cash disbursements selected for testing did not have adequate supporting documentation such as proof of goods received and services rendered.
- **Cash Receipts** - Controls over the Board's cash receipting process are weak. We tested 20 deposit vouchers and identified the following:
 - 35 percent (7 of 20) of the deposits included receipts which were not logged, entered into the computer system, or assigned a receipt number until the following day.
 - 10 percent (2 of 20) of the deposits were not made within the required three-day time period.
 - 15 percent (3 of 20) of the deposits were coded incorrectly.

Additionally, source documents and cash receipts to be returned to applicants and/or licensees were left unsecured, and the Board does not reconcile the number of individuals who are issued licenses or the number of examination participants to the revenues received.

In fiscal year 1994, the agency received over \$2.3 million in cash receipts.

- **Fixed Assets** - There is a lack of segregation of duties over fixed assets. The agency's property manager for fixed assets conducts the annual physical inventory, updates and reconciles to the Statewide Property Accounting System (SPA), and tags fixed assets as they are received. Furthermore, this employee handles purchases for large items requiring sealed bids, prepares and codes the purchase vouchers, enters the vouchers into USAS, and releases them for payment.

We reconciled the agency's total fixed assets to the general ledger amount and noted that the totals of the "value" and the "price sale" columns of the agency's reconciliation spreadsheet were incorrect. Furthermore, we

determined that there was a \$4,332 difference between the general ledger balance per the fiscal year 1994 Annual Financial Report (AFR) and the corrected reconciliation balance.

In addition, several items were not recorded to SPA system in a timely manner. Our review of the SPA system records as of February 16, 1995, revealed that:

- \$111,340.93 in additions to fixed assets for fiscal year 1993 and 1994 were not recorded in the SPA system.
 - Items that were sold in November and December 1993 totaling \$161,036.34 were still included on the SPA listing as current items.
- **Payroll, Time Keeping, and Travel Processing** - The data entry and reconciliation duties over payroll, time keeping, and travel processing are not appropriately segregated. We identified the following weaknesses:
 - One employee performs the data authorization, data entry, verification, correction, and payroll preparation for the entire agency. This same employee is responsible for the time keeping function and authorizing the final payroll warrant list.
 - One employee reviews, approves, and codes travel vouchers for payment. This employee also enters the vouchers into USAS and releases them for payment.

Documentation to support cash disbursements decreases the risk that invoices will be paid for goods that were not received or services that were not rendered. Controls such as recording cash receipts and performing reconciliations decrease the risk that errors or irregularities may occur and go undetected. Segregation of accounting job duties help ensure that the agency's financial resources are protected from abuse.

Recommendations:

We recommend that the Board:

- Require documentation of receipt of goods and services rendered prior to paying disbursement vouchers.
- Implement procedures to ensure that all cash receipts are accounted for, safeguarded, and deposited in compliance with the three-day rule.
- Segregate the duties over the various accounting functions. One employee should be responsible for the processing accounting records and another employee should be responsible for review and reconciliations. Additionally, the person preparing payroll should not be the person maintaining the time keeping records.

- Establish management review and approval procedures for releasing accounting transactions that update the statewide accounting systems.

Management's Response:

Cash Disbursements - Documentation of receipt is now a requirement on all vouchers for disbursement of State funds to any supplier of goods or services. Documentation is dated and signed by an agency employee responsible for receiving the goods or services prior to the processing of vouchers for payment. Agency staff has always had knowledge as to whether or not goods or services have been rendered because of the small size of the agency.

Cash Receipts - The preparer of the deposit voucher now personally reviews the summary data of the day's receipts prior to the calculation of the daily deposit. This report is the basis of the coding for the daily deposit voucher used to enter the information into USAS. In addition, whenever any employee who has been working with cash receipts leaves the work area, the items being processed are required to be placed within a locked area. All items received during the day are entered with a receipt number corresponding to that day. Deposits are made daily and delivered on a daily basis to the State Treasury in order to guarantee compliance with the three-day requirement of deposit.

Segregation of Accounting Duties - Segregation of accounting duties is difficult with a limited staff. Wherever and whenever information is not sensitive, the agency will segregate duties. Due to the size of the agency and number of persons on payroll, it is very difficult to separate the payroll and timekeeping functions performed by the staff. These two functions are very closely interrelated and often the information is very sensitive in nature. The agency was not aware of problems in this area; however, proper controls will be implemented to ensure protection from abuse.

Establish Management Review and Approval - Approvals of payments has been shifted to the Executive Director and the persons entering the data into USAS or USPS for payment are not responsible for agency approval. Further controls will be implemented to ensure protection from abuse.

Section 3-B:

Update Human Resource Policies and Procedures

Some of the Board's human resources procedures were not consistent with recent changes in state and federal laws. We noted the following exceptions:

- **Fair Labor Standards Act (FLSA)** - Currently, employee FLSA status determinations are automatically assigned by a default indicator in the Uniform Statewide Payroll System (USPS). Furthermore, documentation to support the employee's FLSA status determinations are not maintained.

The State became subject to the minimum wage and overtime provisions of the Fair Labor Standards Act effective April 15, 1986. Agencies are required to examine the duties and responsibilities of each position and make a determination as to exempt or non-exempt status. Such determinations are not to be made on the basis of a salary group cut-off, but rather on the basis of a comparison of duties of the job to the FLSA exemption tests. Documentation of the determinations should be maintained, and the determination should be periodically reviewed. Additionally, employees should be informed of such determinations.

- **Performance Appraisals** - The performance appraisal system does not address standards for rating employee performance, nor does it establish a designated evaluation period. We selected and tested ten personnel files and identified the following deficiencies:
 - Nine of the employee files contained evaluations that were performed in April 1995, just prior to the audit. However, the length of time between this evaluation and the prior evaluation varied from four months to eight years. In one case, an employee who was hired on August 17, 1992, did not receive their first evaluation until April 14, 1995.
 - All of the employee files contained personnel actions that were not adequately supported by an assessment of performance.
 - The agency's performance evaluation form contained subjective attributes for rating employee performance (i.e., loyalty, grooming and dress, and appearance of work area).

Performance appraisals provide feedback to employees which supports good performance, helps to correct and discourage poor performance, provides a foundation for human resources decisions (i.e., promotions, demotions, merit increases, and terminations), and provides a basis for employees' training and development in alignment with the agency's mission.

- **Applicant Selection/Rejection** - The Board does not maintain adequate documentation of its applicant selection procedures. The Board keeps all applications submitted. Applications that meet minimum qualifications are separated from those that do not. However, for the applicants that met the minimum qualifications, there is no documentation as to the reasons they were selected or rejected. The lack of documentation for hiring decisions does not allow the Board to evaluate their system and take corrective action.

Complete and current policies and procedures helps ensure the Board is clearly communicating expectations of its employees and promotes compliance with applicable federal and state laws and regulations. Salaries and related expenditures accounted for 65 percent or approximately \$1.5 million of the Board's total fiscal year expenditures.

Recommendations:

We recommend that the Board:

- Implement controls procedures that require periodic re-evaluation of duties and responsibilities of all positions to assess the accuracy of each employee's FLSA status determinations. In addition, the Board should maintain documentation of these assessments and ensure that the determinations are communicated to each respective employee.
- Implement controls to ensure that periodic performance evaluations are prepared for all employees. The performance evaluations should be based on specific, objective, performance-based evaluation criteria. The Board should also maintain adequate supporting documentation in employee files to support personnel actions.
- Maintain records of the selection process, including the reasons why an applicant is or is not selected. We also suggest the Board consider using a rating scale or matrix to record the selection process.

Management's Response:

Controls will be put in place to ensure that periodic re-evaluations are made regarding FLSA status determinations for all employees.

Controls will be put in place to ensure that documented annual performance evaluations are made on each employee based on the recommended criteria. Records will be maintained on each job opening regarding selection process.

These controls will be in place by January 1, 1996. It should be noted that this is an excellent example of the daily pressure and enormous workload on Division Chiefs and management staff. The Executive Director has pointed out on several occasions to Legislative Committees that the management staff is overloaded and that it is impossible to keep all the balls in the air.

Section 4: Policy Management

The Board Should Comply with Requirements for Licensing Agencies

The Board has not provided written notice of the nonrenewal policies for default on guaranteed student loans to licensees. Also, the nonrenewal policies and procedures for default of guaranteed student loans used by the agency are not being followed as mandated by the Higher Education Code, §57.491.

We selected 25 licensees listed on the Quarterly Student Loan Default Match Report provided by the Texas Guaranteed Student Loan Corporation to test for compliance with the Board's policies. We found that 24 percent (6 of 25) had defaulted on their student loan and were allowed to renew their license.

Recommendations:

We recommend that the Board comply with the statutory requirements for licensing agencies by:

- providing written notice to its applicants/licensees that failure to repay a guaranteed student loan is grounds for denying an application or not renewing one's license
- ensuring all applicants and licensees in default on Texas Guaranteed Student Loan Corporation loans are denied a license or renewal

Management's Response:

Notice regarding the consequences of failure to repay a guaranteed student loan will be made in our next licensee newsletter.

During the auditor's report, it was brought to the Board's attention that the Texas Guaranteed Student Loan Corporation's (TGSLC) requirements for quarterly notification to licensees was not being received from TGSLC. Since this time, the Board has requested the necessary information be submitted to the agency by TGSLC on a quarterly basis so that compliance with the auditor's report is now completed.

Objectives, Scope, and Methodology

Objectives

Our audit objectives were to conduct a financial analysis and assessments of the management control systems of small agencies¹ to enable them to meet legislative mandates and deliver intended benefits and to certify the accuracy of selected performance measures by examining the classification of those measures and reviewing the controls over the measures being reported.

Scope

The scope of this audit included:

- Determining whether the audit entity is managing or utilizing resources, including state funds, personnel, property, equipment and space, in an economical and efficient manner.
- Evaluating the causes of inefficiencies or uneconomical practices, including inadequacies in management information systems, internal and administrative procedures, organizational structure, and the use and allocation of resources.
- Determining whether financial, program, and statistical reports of the audited entity contain useful data and are fairly presented.

Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, analyzing the information, and evaluating the information against established criteria.

Information collected to accomplish the audit objectives included the following:

- Interviews with management and staff
- Interviews with appropriate oversight agencies
- Interview with the agency's appointed Assistant Attorney General
- Documentary evidence, including:
 - State and federal statutes, regulations, and rules
 - Board documents, plans, policies, procedures, manuals, reports, memoranda, minutes, and other written communications

¹A small agency is identified as an agency with less than \$10 million in appropriations and less than 300 employees.

- Various audit and management reports from both internal and external sources
- Agency-generated financial data and reports

Procedures and tests conducted:

- Reviews for alignment with Legislative Budget Board directives on strategic planning, policy environment assessment, and budgeting
- Direct observation of training and budgeting processes
- Reviews for compliance with selected provisions of the Fair Labor Standards Act (FLSA), Americans with Disabilities Act (ADA), and Equal Employment Opportunity Act (EEO)

Analytical techniques used:

- Financial review and analysis
- Process review and analysis
- Trend analysis
- Comparison of planned and actual project and program implementation dates
- Content analysis

Criteria used:

- Statutory requirements
- General and specific criteria developed by the State Auditor's Office Inventory of Accountability Systems Project
- State Auditor's Office Management Control Methodology and Models
- Process criteria from the State Comptroller's Office, Department of Information Resources, and General Services Commission

Other Information

Fieldwork was conducted from April through June 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:

- Nicole J. Merridth
- Kimberly N. McDonald
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- Randy L. Townsend, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Audit Director)

Appendix 2:

Performance Measures Matrix

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Results of Performance Measures Review

Related Objective or Strategy ¹	Description of Measure ¹	How Classified	Results Reported ²	Certification Results*				Comments	
				C	CQ	FPC	I		N/A
Agency # 467 Board of Private Investigators and Private Security Agencies									
A.1.1.	Average Cost Per Investigation	Efficiency	\$41.80			*			The Board did not maintain adequate documentation to support this measure.
A.1.2.	Average Cost Per Disciplinary Action.	Efficiency	\$46.84			*			

Sources:

¹General Appropriations Act, 73rd Legislature, R.S. (1993).

²Outcomes are reported for FY 1994.

All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

***Key for Certification Results**

- C - Certified
- CQ - Certified with Qualifications
- FPC - Factors Prevented Certification
- I - Inaccurate
- N/A - Not Applicable

Results of Performance Measures Review

Related Objective or Strategy ¹	Description of Measure ¹	How Classified	Results Reported ²	Certification Results*					Comments
				C	CQ	FPC	I	N/A	
Agency # 467 Board of Private Investigators and Private Security Agencies									
A.2.2.	Total Number of Individuals Licensed.	Output	153,287			*			The Board did not maintain adequate documentation to support this measure.
A.2.2.	Average Cost of Exam Administration.	Efficiency	\$104.69				*		The Board's salary figure that was used for the Chief Officer of Licensing was incorrect. In addition, computation of the total number of exams administered was incorrect. The average cost was computed as \$126.48.

Sources:

¹General Appropriations Act, 73rd Legislature, R.S. (1993).

²Outcomes are reported for FY 1994.

All numbers are from ABEST II - Automated Budget and Evaluation System of Texas.

***Key for Certification Results**

- C - Certified
- CQ - Certified with Qualifications
- FPC - Factors Prevented Certification
- I - Inaccurate
- N/A - Not Applicable

Background Information²

The Board of Private Investigators and Private Security Agencies, as mandated by its enabling legislation [V.T.C.S., Article 4413 (29bb), §4], is responsible for licensing private investigation, security guard, burglar alarm, courier, armored car, and guard dog companies. Security departments of private businesses with armed guards are also licensed. In addition, the Board commissions security officers who carry firearms in performing their duties and registers individual private investigators, unarmed guards, alarm installers, security salespersons, security consultants, installers of alarm systems and monitors, and guard dog trainers as well as the owners, officers, partners, major shareholders, and managers of relevant companies.

The Board employs 46 employees and is appropriated approximately \$2 million to carry out its mission which is to strive to protect the public from those unqualified persons who seek to provide regulated services and products, from those who would offer inferior services and products, and from those who would seek to defraud the public in providing services and products in the fields of private investigations and security. The agency will strive to protect the public from those who would abuse the public's perceptual confusion regarding the powers and responsibilities of public law enforcement and the powers and responsibilities of private industry.

² The sources of this information are the *Guide To Texas State Agencies, 1994* and the *1995-1999 Agency Strategic Plan*.