

TEXAS DEPARTMENT OF LICENSING AND REGULATION
Austin, Texas

INTERNAL AUDIT REPORT

on

Other Programs

(Polygraph Examiners and Weather Modification Programs)

Fiscal Year 2017



TEXAS DEPARTMENT OF LICENSING AND REGULATION
Austin, Texas

Internal Audit Report
on
Other Programs

Fiscal Year 2017

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditor's Report	1
Introduction	2-3
Internal Audit Objectives.	4
Executive Summary	
Background	5-8
Audit Objective, Scope and Methodology	9-11
Observations/Findings and Recommendations	
Summary and Related Rating of Observations/Findings and Recommendations.....	12
Observations/Findings and Recommendations.....	13-15

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Audit Committee and Commissioners
Texas Department of Licensing and Regulation
Austin, Texas

We performed tests of management 's assertion about the effectiveness and efficiency of the internal control structure over the Polygraph Examiners and the Weather Modification Programs (the Programs) of the Texas Department of Licensing and Regulation (TDLR); ,and its established policies and procedures for the purpose of determining TDLR's compliance with applicable laws and regulations provided in the Texas Occupations Code (OC) , the Texas Agriculture Code (AG), and the Texas Administrative Code (TAC), for the 10 months ended June 30, 2017.

The results of our tests disclosed that TDLR's internal control structure over the Programs and its established policies and procedures, were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters, included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements and TDLR's established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations," included in page 12 of this report.

We have discussed the comments and recommendations with various TDLR personnel and will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.



August 18, 2017

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

INTRODUCTION

In 1989, the Legislature established The Texas Department of Licensing and Regulation (TDLR), with the purpose of licensing and regulating businesses, industries, individuals, and occupations. TDLR accomplishes its purpose by developing clear and simple standards, providing guidance, ensuring compliance, and limiting the regulatory burden on individuals and businesses.

TDLR's responsibilities include regulating 32 diverse programs with 173 different license types and the oversight of more than 727,000 licensees.

Texas Occupations Code (TOC) Chapter 51 establishes TDLR and its responsibilities; and, Title 16, Part 4, of the Texas Administrative Code provides the applicable rules and regulations for the administration of TDLR and its programs.

The Texas Commission of Licensing and Regulation (Commission) is the governing board and policy-making body of TDLR. The 7 public members of the Commission are appointed to staggered 6-year terms by the Governor with the advice and consent of the Senate. The role of the Commission is to:

- select and supervise the executive director;
- set policy for the agency;
- approve TDLR's strategic plan, operating budget, and requests for funding;
- set fees to cover program costs;
- adopt and repeal rules; and,
- impose fines and sanctions for violations of laws, rules, and orders.

In addition to the Commission, there are 26 Advisory Boards that serve the programs regulated by TDLR. Advisory board members provide technical knowledge and industry expertise, giving the Commission real-world insight into the occupations regulated by TDLR. Commission members serve as liaisons between the Commission and each Advisory Board to gain a better understanding of these industries. Advisory Boards meet as necessary to study, review, and make recommendations to the Commission on:

- rules and technical standards;
- examination development;
- continuing education requirements; and,
- other trends affecting their regulated industries.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

2017 Internal Audit Plan

Following are the internal audits and other functions to be performed, as identified in TDLR's approved 2017 Internal Audit Plan; dated April 6, 2017.

- Combative Sports
- Performance Measures Reporting
- Other Programs (Polygraph Examiners; Temporary Common Worker Employers; Vehicle Protection Product Warrantors; and, Weather Modification)¹
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of the Other Programs audit. The reports for the remaining internal audits and other functions to be performed will be issued upon completion.

¹ Subsequent to the approval of the 2017 Internal Audit Plan, the 85th Legislature passed Senate Bill (SB) 2065, which the governor signed into law on June 15, 2017. Article 1 of SB 2065 deregulates the Vehicle Protection Product Warrantors Program and, Article 7 deregulates the Temporary Common Worker Employers Program. As such, effective September 1, 2017, TDLR no longer regulates either of these industries. Upon consultation with TDLR's Audit Committee Chair, it was decided that only the 2 programs (Polygraph Examiners and Weather Modification) that continue to be regulated by TDLR will be audited as "Other Programs."

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of the audit area's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts that could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

EXECUTIVE SUMMARY

BACKGROUND

Polygraph Examiners Program

The Texas Department of Licensing and Regulation (TDLR) is responsible for licensing and regulating the Polygraph Examiner Program (Program), which issues polygraph examiner and polygraph trainee licenses. A *polygraph examiner* is a person licensed to use an instrument to detect deception or verify the truth of a statement; and, a *polygraph trainee* is a person who holds a polygraph examiner internship license, which is required in order to complete a polygraph examiner internship. The enabling statute of the Program is Texas Occupations Code (TOC) Chapter 1703, and related rules are located in the Texas Administrative Code (TAC) Chapter 88.

Organizational Structure

The Business and Occupations Section (Licensing Section) of the Licensing Division is responsible for licensing polygraph examiners and polygraph trainees. The Licensing Section is supervised by a Licensing Manager, who reports to the Licensing Director. The Mechanical and Business Section (Compliance Section) of the Compliance Division is responsible for ensuring licensees' compliance with laws and regulations applicable to the Program. The Polygraph Advisory Committee advises TDLR on educational requirements, content of a licensing examination, and other technical and administrative matters.

Polygraph Examiner and Polygraph Trainee Licenses

To be eligible for a polygraph examiner license, an applicant must submit a completed application along with the \$400 required application fee, and a copy of an insurance policy or surety bond that guarantees payment of up to \$5,000 arising out of judgments recovered against the applicant for any wrongful or illegal act committed by the applicant in the course of administering a polygraph examination. Other eligibility requirements are as follows:

- The applicant must either have a baccalaureate degree (type not specified in TAC) or active investigative experience during the 5 years preceding the application date.
- The applicant must successfully complete—
 - A polygraph examiner course administered by a TDLR-registered curriculum provider.
 - A 6-month polygraph examiner internship, supervised by an already licensed polygraph examiner.
 - A 3-part examination, which consists of a written, scenario, and practical portion, and that is administered by a TDLR-3rd party examination contractor.
- The applicant must successfully pass a DPS criminal background check.

To satisfy the 6-month polygraph examiner internship requirement, the applicant must obtain a polygraph trainee license, by submitting a completed application on a TDLR approved form, along with the required \$50 application fee; and, successfully passing a criminal background test. A polygraph trainee license expires one year after the date of issuance and may only be renewed once. Thus, a person has to wait a year from the date the previous polygraph trainee license expires before applying for another, if needed.

According to TDLR, there were 253 polygraph examiner licensees and 29 polygraph trainee licensees as of June 30, 2017.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs
Fiscal Year 2017

Licensing Process: New Applications

Applicants for Program licenses are required to complete an application and additional documents, which are available on the TDLR website, and mail them to TDLR along with the required fees. Applications for all TDLR programs are received in the mailroom where they are date stamped, separated by program, and combined into batches by the mailroom staff. The batches are then sent to the Financial Services Division where the fees are processed and recorded in the Texas Umbrella Licensing Information Project licensing system (TULIP system), and to the Licensing Section for final processing.

A Licensing Specialist will first ensure the applicant is not already registered in the TULIP system; and, will begin processing the application. If an application is incomplete and/or the required fee is not submitted, the Licensing Specialist will prompt the TULIP system to generate a Request for Information letter that is mailed to the applicant.

A criminal background check is then conducted through the Texas Department of Public Safety by the Licensing Support and Analytics team within the Licensing Division. Upon the applicant successfully passing the criminal background check and submitting all other required documentation, the applicant's eligibility will be sent to the TDLR-3rd party examination contractor to administer the required 3-part examination. Once TDLR is notified by the 3rd party examination contractor that the applicant successfully passed the 3- part examination, a license will be generated from the TULIP system and mailed to the applicant. The license includes the applicant's unique license number and is valid for one year from the date of licensure.

Licensing Process: Renewal Applications

Renewal applications for polygraph examiners are automatically generated from the TULIP system 95 days prior to the expiration of the license and mailed to the licensee. The licensee is required to complete the renewal application and mail it back with the \$350 renewal fee and any additional documents, by the expiration date to keep their license active. A polygraph examiner must also complete a 6-hour continuing education course before license renewal. Renewal applications are processed in the same manner as new applications. Late fees may be assessed for late renewals in accordance with TAC §60.83, as shown below:

Late Renewals	Late Renewal Fee
1-90 days after license expiration date	1.5 times the renewal fee
90 days to 18 months after license expiration date	Twice the renewal fee

After 18 months of the license expiration date, the license cannot be renewed and must go through the original application process.

Renewal applications for polygraph trainees are processed in the same manner as new applications. An internship license can only be renewed once and licensee can only apply for a new license a year after the previous license expires.

Compliance Section

The Compliance Section plays a supporting role for the Program; primarily, by responding to internal and external inquiries; and, assisting the Licensing Section in non-routine matters; such as, reviewing qualifications of an applicant who holds an out-of-state license. Field inspections are not required for the Program.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

During the period from September 1, 2016 through June 30, 2017, TDLR issued 7 new polygraph examiner licenses and 231 renewals; and, 20 new polygraph trainee licenses and 3 renewals. During this same period, TDLR collected \$89,950 in Program licensing fees.

Weather Modification Program

Weather modification is the process of changing or controlling, or attempting to change or control, using artificial methods commonly known as cloud seeding, the cloud formation for the purpose of rainfall enhancement and/or hail suppression. TDLR administers the Weather Modification Program (Program), which includes the research, development, licensing, permitting, and other associated activities. The enabling statute of the Program is the Agriculture Code (AG) Chapter 301, and related rules are located in the Texas Administrative Code (TAC) Chapter 79.

Organizational Structure

Due to highly technical and scientific knowledge needed to effectively manage the Program, a Program Specialist from the Office of Innovation, who is a meteorologist and consults with a Compliance Manager from the Compliance Division, manages all aspects of the Program; including, licensing, compliance analysis, and research. Key decision making for topics; such as, licensing and permitting, is made after receiving guidance and recommendations from the Weather Modification Advisory Committee (Advisory Committee). The Advisory Committee advises and makes recommendations to TDLR concerning legislation; policies; administration; research; and, other matters related to the duties, powers, or functions of TDLR as they relate to the Program.

Weather Modification License

An entity or an individual must obtain a weather modification license and a permit from TDLR in order to conduct weather modification operations in Texas, unless exempted for activities as provided in AG Section 301.102. Exempted activities include laboratory research and experiments to promote research and development, and emergencies. TDLR may grant or deny an exemption, which is required to be requested by an applicant, in writing, along with necessary documentation, at least 90 days prior to the proposed project.

To obtain a license, an individual or organization must:

- (a) Complete an application available online;
- (b) pay a \$750 license fee; and,
- (c) demonstrate that the licensee, or an individual who will be in charge of the operation if the licensee is an organization, has sufficient education and experience in order to adequately manage the operations.

The Program Specialist ensures the application is complete and evaluates the applicant's qualifications. The application is then presented to the Advisory Committee for recommendation, before approval. All Program licenses expire at the end of the state fiscal year (8/31).

Prior to each fiscal year end, the Program Specialist mails a manually-generated letter to the licensees as a reminder to renew their license. A completed renewal form and a \$750 renewal fee are required for license renewal. Similar to applications, after the Program Specialist verifies the completeness and identifies no issues, renewals are presented to the Advisory Committee for recommendation before approval.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

Weather Modification Permit

A weather modification licensee must obtain a weather modification permit for each project designed to take place within a specified boundary. To apply for a permit, an individual or an organization must have or be in the process of obtaining a valid Texas weather modification license. The applicant must submit a detailed operations plan, proof of financial responsibility, and a \$100 fee to TDLR. The applicant must also draft a Notice of Intention to engage in a weather modification operation for TDLR's review and approval, which is performed by the Program Specialist. The Notice of Intention informs the public of the summary of proposed operation and explains how the voice of concerned parties can be heard. The applicant must publish the approved Notice of Intention in a newspaper of general circulation in each county where the operation is to be conducted, at least once a week, for 3 consecutive weeks. Thus, to ensure the public receives sufficient time to respond, TDLR may not issue a permit until the end of a 30-day waiting period. The applicant may apply for a permit for 1 to 4 years as long as the operations are conducted every year.

The Program Specialist oversees weather modification operations primarily through analysis of monthly and annual operations reports submitted by licensees and exempted entities, and by monitoring other related public information available in each licensee's website.

As of June 30, 2017, there were 7 licensed organizations and 1 exempted organization approved to conduct weather modification activities in Texas. TDLR issued 1 weather modification permit during the period from September 1, 2016 through June 30, 2017, which brings the total to 10 permits as of June 30, 2017. During the same period, TDLR collected \$5,350 in license renewal and permit fees.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs
Fiscal Year 2017

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to gain an understanding of the processes and controls in place over the Polygraph Examiners and Weather Modification Programs (the Programs) and TDLR's established policies and procedures, to determine whether they are operating effectively and provide reasonable assurance for compliance with applicable sections of the Texas Occupations Code, the Texas Agriculture Code, and the Texas Administrative Code (state laws and regulations).

Scope

The scope of our audit was to review TDLR's established policies and procedures and the processes and controls in place over licensing and regulating the Programs during the 10-month period from September 1, 2016 through June 30, 2017, to ensure compliance with applicable state laws and regulations.

Methodology

The audit methodology included a review of applicable laws and regulations, TDLR's established policies and procedures, and other internal and external documentation; and, an interview and correspondence with TDLR personnel from the Licensing, Compliance, and the Office of Innovation Divisions.

We obtained and/or reviewed the following documentation:

1. Organizational charts for the Licensing and the Compliance Divisions.
2. TDLR's policies and procedures applicable to the Programs.
3. Various forms and templates applicable to the Programs.
4. Polygraph Examiners Advisory Committee meeting minutes for the meetings held from December 2012 through March 2017; and, Weather Modification Advisory Committee meeting minutes for the meetings held from July 2013 through December 2016.
5. A listing of new applications and renewals for all licenses and permits regulated by the Programs, submitted during the period from September 1, 2016 through June 30, 2017.
6. Samples of various license and permit applications and renewal forms, and accompanying documents.
7. Samples of daily, monthly, and/or annual weather modification operations reports.
8. The *Detail Statement of Revenue Generated by Agency Program or Activity* report as of June 30, 2017.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

We performed various procedures to achieve the objective of the audit, to include the following:

1. Obtained an understanding of the laws and regulations applicable to the Programs, as provided in the Texas Occupations Code (OC) Chapter 1703; the Agriculture Code (AG) Chapters 301 and 302; and, the Texas Administrative Code Chapters 79 and 88.
2. Reviewed written policies and procedures and publicly available documents, and conducted interviews to document formal/informal processes and controls, as applicable to the Programs.
3. Obtained a listing of new Polygraph Examiner and Polygraph Trainee license applications submitted during the period from September 1, 2016 through June 30, 2017, and selected 5 to test the following attributes:
 - (1) Applicant completed an application form.
 - (2) Applicant paid the correct fee.
 - (3) Polygraph examiner applicant provided all required documentation sufficient to establish qualification (education or experience).
 - (4) Polygraph examiner applicant provided proof of financial security.
 - (5) Polygraph examiner applicant completed an approved examiner course and a 6-month polygraph examiner internship.
 - (6) Polygraph examiner applicant passed all 3 portions of the 3-part required examination.
 - (7) Applicant passed a criminal background check.
 - (8) Nonresident polygraph examiner applicant submitted a notarized irrevocable consent form.
 - (9) Polygraph examiner applicant with out-of-state license provided all additional documentation sufficient for TDLR to approve license without examination.
4. Obtained a listing of Polygraph Examiner and Polygraph Trainee license renewals during the period from September 1, 2016 through June 30, 2017, and selected 20 to test the following attributes:
 - (1) Licensee completed a renewal form.
 - (2) Licensee paid the correct fee, including late fee, if applicable.
 - (3) Polygraph examiner licensee completed 6 hours of qualifying continuing education during the required period.
 - (4) Polygraph trainee licensee had not submitted for renewals for two consecutive years.
 - (5) Licensee passed a criminal background check.
5. Obtained a listing of Weather Modification licensees for fiscal year 2017, and selected 3 to test the following attributes:
 - (1) Licensee completed a FY 2017 renewal form.
 - (2) Licensee paid the correct fee.
 - (3) Licensee submitted a license qualification statement for each new individual added to the renewal, if applicable.
 - (4) The Weather Modification Advisory Committee recommended the license renewal.
 - (5) TDLR prepared the FY 2017 license in accordance with its internal procedures.
 - (6) Licensee submitted monthly and annual operations reports in accordance with TAC §79.33.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

6. Reviewed one Weather Modification permit application and one exemption application filed during the period from September 1, 2016 through June 30, 2017 and tested the following attributes:
 - (1) Exemption applicant requested exemption in writing at least 90 days prior to the proposed start date, and TDLR responded in writing within 30 days after the request was received.
 - (2) Permit applicant paid the correct fee.
 - (3) Permit applicant holds a valid Texas weather modification license.
 - (4) Permit applicant submitted proof of financial responsibility.
 - (5) Applicants submitted all required supporting data; such as, detailed plan, validity of technology used, and evaluation method.
 - (6) Permit applicant submitted a Notice of Intention in the format prescribed by TDLR, and upon approval by TDLR, published it in a local newspaper at least once a week for 3 consecutive weeks.
 - (7) TDLR issued a permit after the end of the 30-day waiting period following the publication of the Notice of Intention.
 - (8) Permit includes all terms and conditions required by TAC §79.22; such as, effective period, description of approved operations, and information about requesting a public meeting.
7. Reviewed application and other forms available on TDLR's website, as applicable to the Programs, to ensure inclusion of significant OC, AG and TAC requirements.
8. Recalculated the licensing fee revenue based on the number of approved applications and renewals during the period from September 1, 2016 through June 30, 2017, and compared to the *Detail Statement of Revenue Generated by Agency Program or Activity* report as of June 30, 2017 to determine reasonableness of the licensing fee revenue recorded in TDLR's accounting system.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Summary and Related Rating of Observations/Findings and Recommendations

As TDLR’s internal auditors, we used our professional judgment in rating the audit findings identified in this report. The rating system used was developed by the Texas State Auditor’s Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the findings in this report and the related rating.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
1	Polygraph Examiners: Online Licensing Forms	Medium
2	Weather Modification: Documenting Key Practices	Medium
<p style="text-align: center;"><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.</p> <p>A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.</p> <p>Note: Observations are always rated <i>Low</i>.</p>		

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

Observations/Findings and Recommendations

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with brief description if not yet implemented	Fiscal Impact/Other Impact
4	8/18/2017	Other Programs	<p>1. <u>Polygraph Examiners: Online Licensing Forms</u></p> <p>TDLR developed online standardized licensing forms that are available from its website, to streamline licensing-related processes; and, that are also used as standard procedures by the Licensing division. However, we observed the following discrepancies between the online forms and the current licensing requirements:</p> <p>(1) Occupations Code Sec. 1703.206 requires nonresident polygraph examiner license applicants to complete an irrevocable consent form. TDLR has developed the <i>Irrevocable Consent to Service of Process</i> form (consent form) to be completed and notarized, and included the consent form as part of Form POL002, <i>Polygraph Examiner License Application for Waiver of License Requirements Using Out-of-State License or Education/Experience</i>, which is an application form for individuals who wish to use out-of-state license, education, or experience for qualification. However, the consent form is not included or referenced in Form POL001, <i>Polygraph Examiner License Application</i>, which is used by all other applicants; therefore, a nonresident applicant completing Form POL001 may not be aware of the requirement to complete the consent form found in Form POL002.</p> <p>(2) Forms POL001, POL002, POL003, POL006 and POL008 make reference to TAC chapters 391, 393, 395, 397 and 401, which were repealed effective January 2010, and replaced by TAC chapter 88.</p> <p>(3) TDLR has developed Form MIL001, <i>Military Service Member, Military Veteran, or Military Spouse Supplemental Application</i>, to consistently process license applications and renewals for active duty military, spouses, and veterans who wish to use available special licensing provisions; such as, fee waiver, expedited processing, and applying military experience as a qualification. However, Form MIL001 that is included in the Polygraph Examiners program page on TDLR's website, differs from the one included in the Military Outreach page, which is the most current form that was last revised in January 2017 to reflect the addition of military veterans being eligible for certain provisions.</p> <p>Recommendation We recommend that TDLR establish a process to review online standardized licensing forms on a periodic basis to ensure they are timely updated to reflect the current licensing laws and regulations.</p>		Improve efficiency and ensure compliance with licensing laws and regulations.

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with brief description if not yet implemented	Fiscal Impact/Other Impact
4	8/18/2017	Other Programs	<p>Management's Response The agency concurs with the findings. All forms have been corrected and posted on the agency's website.</p> <p>Procedures are in place to provide a review of affected forms when a statute change occurs or corresponding rules change brought on by the statute change and rule modifications.</p> <p>2. <u>Weather Modification Program (Program): Documenting Key Practices</u></p> <p>The Program Specialist either reports to or seeks advice from the Advisory Committee over technical matters related to the Program before significant technical decisions are made. However, documentation is not retained that provides evidence of such communication. Some examples of communications/practices that are not documented are as follows:</p> <p>(1) TAC 79.33 requires a weather modification licensee to submit to TDLR the monthly operational flight data and a copy of the annual operations report submitted to the National Oceanic and Atmospheric Administration (NOAA). Our testing of 3 weather modification licensees disclosed one instance where TDLR made an exceptional reporting arrangement with the licensee. In this instance, the Program Specialist requested that the licensee report to TDLR a quarterly operations summary in lieu of reports required by TAC 79.33 since the licensee's unique operation did not produce flight data nor require periodic NOAA reporting. Although the reason for the arrangement between TDLR and this licensee appears reasonable, TDLR does not have documented procedures to address these types of exceptions, and there was no record that the exceptional arrangement was recommended by the Advisory Committee.</p> <p>(2) TAC 79.18 requires a weather modification permit applicant to demonstrate their ability to pay for a liability; such as, a liability insurance policy, that might reasonably arise as a result of the proposed operation. Since the TAC does not specify the types and amount of insurance required, TDLR, with the verbal authorization from the advisory committee, a number of years ago, determined that a \$1 million liability insurance coverage was adequate based on the industry standard. However, neither the advisory committee's authorization nor the insurance requirement is documented.</p>		<p>Improve transparency and accountability in program administration</p>

TEXAS DEPARTMENT OF LICENSING AND REGULATION

Other Programs

Fiscal Year 2017

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with brief description if not yet implemented	Fiscal Impact/Other Impact
4	8/18/2017	Other Programs	<p>Recommendation We recommend that TDLR document existing key practices and exceptional arrangements as procedures; and, retain evidence of presentation to and/or authorization from the advisory committee, executive director, or other person/body, to improve transparency and accountability.</p> <p>Management's Response The agency concurs with the findings. Liability insurance limits and reporting frequency procedures will be in place with appropriate documentation following their approval by the Texas Weather Modification Advisory Board at its next meeting on February 1, 2018.</p>		