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## **An Audit Report on Performance Measures at 11 State Agencies**

Phase 13 of the Performance Measures Reviews

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May 2000

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# Key Points of Report

## An Audit Report on Performance Measures at 11 State Agencies

Phase 13 of the Performance Measures Reviews

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May 2000

### Overall Conclusion

Reliability of audited performance measures decreased to 54 percent during this performance measures audit period as compared to previous audits, which had an average certification rate of 68 percent. This decrease in accuracy may be because this was the first certification audit for the majority of agencies in this phase. Although decision makers cannot rely on a number of key measures as they have been reported, recommended improvements to performance measurement systems as stated in this report and the *Guide to Performance Measures Management* (SAO Report No. 00-318, December 1999) would enhance measure reliability.

### Key Facts and Findings

- Fifty-four percent of 43 performance measures reviewed were reliable. In comparison, the average accuracy rate for the five previous performance measures audits was 68 percent. However, Phase 13 was the first performance measures audit for the majority of agencies audited. The 54 percent reliability rate is consistent with that of the first audits of performance measures, which we completed in fiscal years 1994 and 1995.
- Twenty-three percent of the audited measures were inaccurate, and factors prevented certification of the remaining 23 percent.
- Inadequate source documentation, failure to follow measure definitions, calculation errors, and lack of supervisory reviews were the primary causes of inaccurate data.
- However, it should be noted that four agencies' audited measures were 100 percent reliable:
  - Office of the State Prosecuting Attorney
  - Securities Board
  - Research and Oversight Council on Workers' Compensation
  - State Office of Risk Management
- The State Auditor's Office plans to publish a self-assessment tool on the Internet this summer. This tool will provide detailed guidance to help agencies assess and improve their performance measures.

### Contact

Beth Arnold, CIA, Audit Manager, (512) 936-9500

## Office of the State Auditor

Lawrence F. Alwin, CPA

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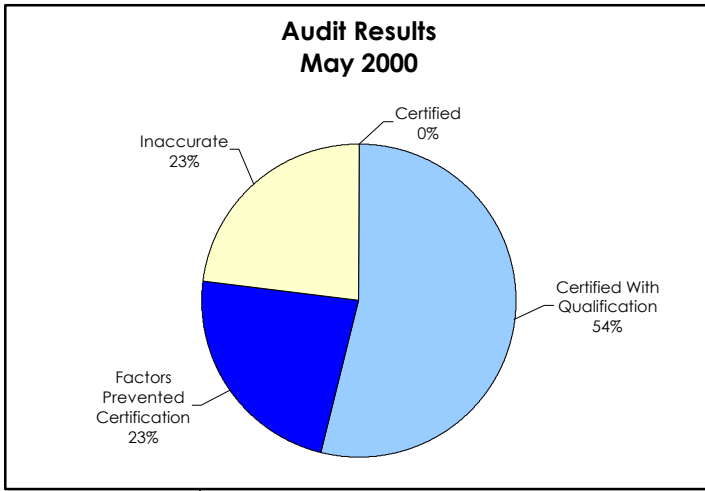
*This audit was conducted in accordance with Government Code, Section 2101.038, and the Lieutenant Governor's Budget Reform Proposal, as adopted by the Legislative Budget Board on November 18, 1991, and in cooperation with the Legislative Budget Board.*

# Executive Summary

## Less Than 60 Percent of Performance Measures Sampled at 11 Agencies Are Reliable

We determined that 54 percent of the 43 performance measures at 11 agencies were reliable. A performance measure is reliable if it has been categorized as Certified or

Figure 1



Certified With Qualification. (See Figure 2.) Factors prevented certification for 23 percent of the performance measures. We found 23 percent of the measures to be inaccurate. (See

Figure 2

| Categories                             | Definitions   |
|--|---|
| <b>Certified</b>                       | Reported performance is accurate within +/-5 percent and controls appear adequate to ensure accuracy for collecting and reporting performance data. |
| <b>Certified With Qualification</b>    | Performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.                    |
| <b>Factors Prevented Certification</b> | Actual performance cannot be determined because of inadequate controls and inadequate documentation.  |
| <b>Inaccurate</b>                      | Reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.  |

Figure 1.) Figure 3 (on the following page) shows the individual and average reliability percentages over seven years for all state entities. The bars represent individual audit results from a particular phase, and the line represents the average results of all certification reports.

In contrast, performance measures had an average of 68 percent reliability of measures from the past five performance measures certification audits. This decrease in accuracy may be because this was the first certification audit for the majority of the agencies in this phase. This rate of certification is consistent with the certification rate from fiscal years 1994 and 1995 when we first evaluated performance measures.

The State Auditor's Office plans to publish a self-assessment tool on the Internet this summer. This tool will provide detailed guidance to help agencies assess and improve their performance measures.

## Additional Review Procedures Could Further Increase Performance Reporting Reliability

Forty-six percent of the measures reviewed in this phase are unreliable. The primary causes of unreliable performance reporting were:

- Inadequate policies and procedures on how to collect and calculate measures
- Performance calculations not performed according to the measure definition
- Lack of review procedures during the measure calculation and reporting phases
- Inadequate supporting documentation

# Executive Summary, continued

To improve the reliability of their performance measurement systems, agencies should follow these procedures to prevent or detect reporting errors:

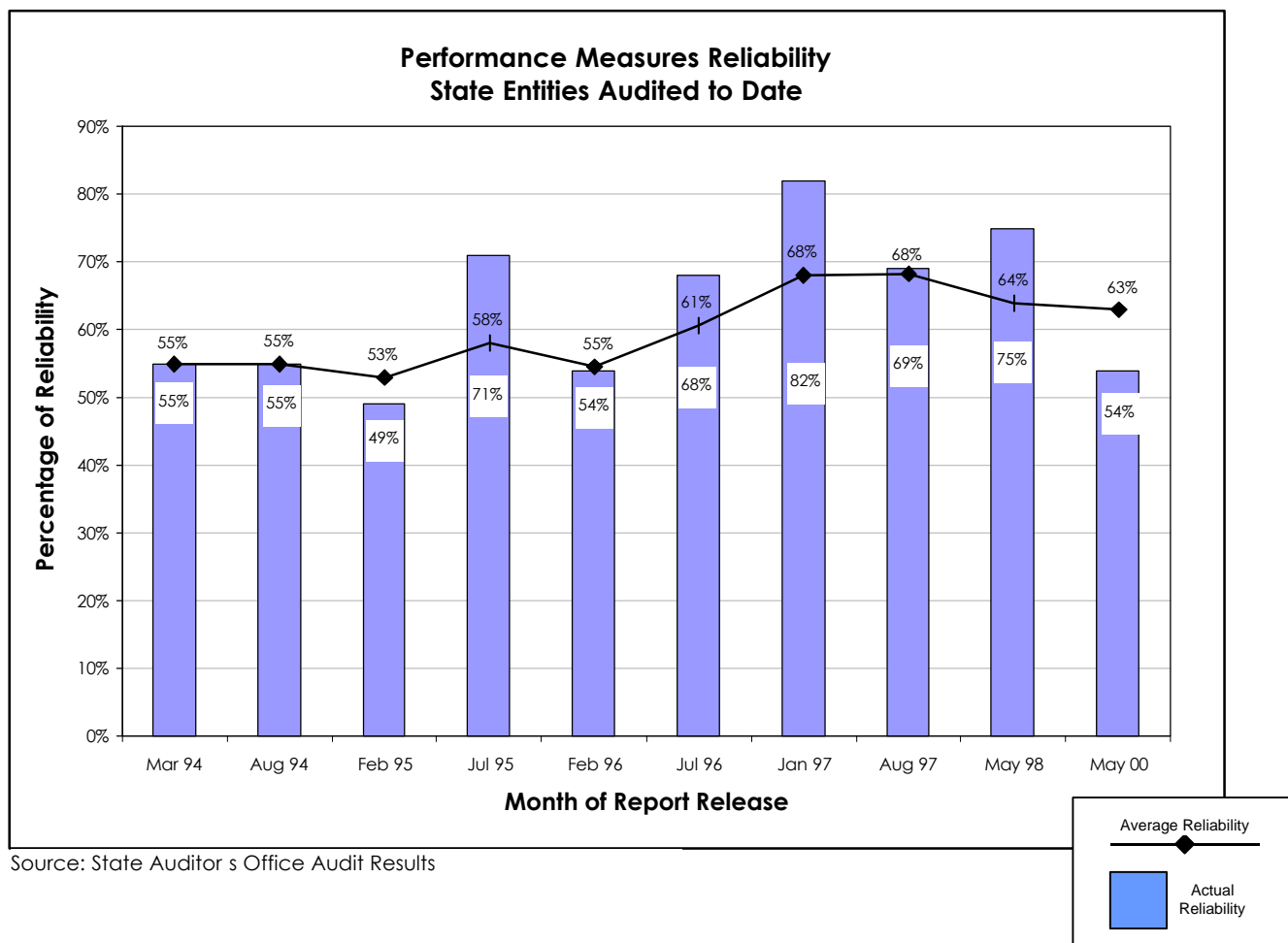
- Review data submitted by field offices and third parties for accuracy and completeness.
- Review the measure calculation for consistency with the measure definition and mathematical accuracy.
- Review supporting documentation for accuracy and completeness.

- Compare the final results submitted to the Legislative Budget Board with the summary documentation to ensure data-entry accuracy.

Please refer to the *Guide to Performance Measure Management* (SAO Report No. 00-318, December 1999) for additional information on improving performance measurement reliability.

Table 1 on the following page provides an overview of the current results.

Figure 3



# Executive Summary, concluded

Table 1

| Current Audit Results  |           |                                 |                                       |            |                              |                           |
|--|-----------|---------------------------------|---------------------------------------|------------|------------------------------|---------------------------|
| Name<br>(Agency Number Order)                                | Certified | Certified With<br>Qualification | Factors<br>Prevented<br>Certification | Inaccurate | Total<br>Measures<br>Audited | Reliability<br>Percentage |
| Office of the State<br>Prosecuting Attorney                  |           | 2                               |                                       |            | 2                            | 100%                      |
| Securities Board   |           | 5                               |                                       |            | 5                            | 100%                      |
| Texas Aerospace Commission                                   |           | 1                               | 4                                     |            | 5                            | 20%                       |
| Office of Court Administration                               |           | 1                               |                                       | 1          | 2                            | 50%                       |
| Telecommunications<br>Infrastructure Fund Board              |           | 1                               | 3                                     | 1          | 5                            | 20%                       |
| Office of Consumer Credit<br>Commissioner                    |           |                                 |                                       | 5          | 5                            | 0%                        |
| Finance Commission of Texas                                  |           |                                 | 1                                     |            | 1                            | 0%                        |
| Research and Oversight<br>Council on Workers<br>Compensation |           | 3                               |                                       |            | 3                            | 100%                      |
| State Office of Risk<br>Management                           |           | 5                               |                                       |            | 5                            | 100%                      |
| Optometry Board  |           | 4                               |                                       | 1          | 5                            | 80%                       |
| State Board for Educator<br>Certification                    |           | 1                               | 2                                     | 2          | 5                            | 20%                       |
| <b>Totals</b>  | <b>0</b>  | <b>23</b>                       | <b>10</b>                             | <b>10</b>  | <b>43</b>                    | <b>n/a</b>                |
| <b>Percentage</b>  | <b>0%</b> | <b>54%</b>                      | <b>23%</b>                            | <b>23%</b> | <b>100%</b>                  | <b>54%</b>                |

## Summary of Management Responses

The responses indicate that management generally agrees with the recommendations for improvement. Responses to the audit findings were provided by the audited entities' management and are included in the report after each agency's results and findings.

## Summary of Audit Objectives and Scope

The primary objective of this audit was to determine the accuracy of key performance measures reported to the Automated Budget and Evaluation System of Texas (ABEST) database. We reviewed related control systems for adequacy. We also provided assistance to entities with collection and reporting problems. Performance information was traced to the original sources when possible.

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# Results, Findings, and Management Responses

## | Office of Court Administration

| Office of Court Administration (Agency No. 212)<br>Performance Measure Certification Results  |   |                  |                              |   |
|---|---|------------------|------------------------------|---|
| Related Objective or Strategy   | Classification and Description of Measure                 | Results Reported | Certification Results        | Auditor Comments  |
| A   | Output<br>Number of Hours of Legal Research for Customers | 1,060            | Inaccurate                   | The Office reported 1,060 hours of legal research. The recalculated result was 1,125 hours. This error rate is beyond the 5 percent error rate allowed by the State Auditor's Office. |
| A.1   | Output<br>Number of Pilot Projects Initiated              | 1                | Certified With Qualification | The Office has no documented review of ABEST data prior to submission to the ABEST Coordinator. The Office needs to document reviews in its policies and procedures.                  |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |   |                  |                              |   |

Source: ABEST Report for the first quarter of fiscal year 2000

| Office of the State Prosecuting Attorney

| Office of the State Prosecuting Attorney (Agency No. 213)<br>Performance Measure Certification Results  |  |                  |                              |  |
|---|--|------------------|------------------------------|--|
| Related Objective or Strategy   | Classification and Description of Measure  | Results Reported | Certification Results        | Auditor Comments   |
| A   | Output<br>Number of Petitions for Discretionary Review Filed                           | 75               | Certified With Qualification | The Office should strengthen internal controls. It should develop written procedures addressing the collection, review, and approval of performance measure data. The Office should also document and implement the approval of data entries before they are entered into ABEST. |
| A.1   | Outcome<br>Petitions for Discretionary Review Granted by the Court of Criminal Appeals | 31               | Certified With Qualification |  |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |  |                  |                              |  |

Source: Fiscal Year 1999 ABEST Report



## | Securities Board

| <b>Securities Board (Agency No. 312)<br/>Performance Measure Certification Results</b>  |   |                  |                              |   |
|---|---|------------------|------------------------------|---|
| Related Objective or Strategy   | Classification and Description of Measure           | Results Reported | Certification Results        | Auditor Comments  |
| A   | Outcome<br>Number of Enforcement Actions Taken      | 528              | Certified With Qualification | During the audit, we noted that the Board needed to implement policies and procedures for gathering and reporting data to ABEST before final submission. The Board has since implemented policies and procedures. |
| A.1.1   | Output<br>Number of Investigations Opened           | 337              | Certified With Qualification |   |
| A.2.1   | Output<br>Number of Security Applications Processed | 26,811           | Certified With Qualification |   |
| A.3.1   | Output<br>Number of New Applications Reviewed       | 40,516           | Certified With Qualification |   |
| A.4.1   | Output<br>Number of Inspections Conducted           | 164              | Certified With Qualification |   |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |   |                  |                              |   |

Source: Fiscal Year 1999 ABEST Report

## | Texas Aerospace Commission

| <b>Texas Aerospace Commission (Agency No. 354)<br/>Performance Measure Certification Results</b>  |  |                  |                                 |   |
|---|--|------------------|---------------------------------|---|
| Related Objective or Strategy   | Classification and Description of Measure  | Results Reported | Certification Results           | Auditor Comments  |
| A.1   | Outcome<br>Number of New Jobs Announced in the Aerospace Industry in Texas   | 1800             | Factors Prevented Certification | The Commission did not have proper documentation to demonstrate that 200 jobs were created and were the direct results of its works.<br><br>During the audit, we noted that the Commission included in its calculation an estimated 1,100 new jobs that it could not support or verify. Subsequently, the Commission provided documentation to indicate that it was probable that 1,100 jobs were created. However, the Commission did not have the documentation to demonstrate that these jobs were the direct result of its works. |
| A.1   | Outcome -<br>Number of Newly Created or Expanded Aerospace Facilities Announced in Texas                               | 3                | Factors Prevented Certification | See finding.  |
| A.1.1   | Output -<br>Number of Business Opportunities Pursued <sup>1</sup>  | 3                | Certified With Qualification    | During the audit, we noted that the Commission needed to document and implement procedures for collecting and reviewing data before final submission in ABEST. The Commission has since developed policies and procedures for the collecting and reviewing of data.   |
| A.1.1   | Efficiency -<br>Average Cost per New Job Announced in the Aerospace Industry in Texas                                  | \$112            | Factors Prevented Certification | This measure is Factors Prevented Certification because the denominator in the calculation is Factors Prevented Certification.  |
| A.1.1   | Efficiency -<br>Average Cost per \$1,000 in Value of Newly Created or Expanded Aerospace Facilities Announced in Texas | \$0.53           | Factors Prevented Certification | This measure is Factors Prevented Certification because the denominator in the calculation is Factors Prevented Certification.  |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factor Prevented Certification</b> when actual performance cannot be determined because of inadequate controls or insufficient source documentation.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |  |                  |                                 |   |

Source: Fiscal Year 1999 ABEST Report

<sup>1</sup> Source for these measures was the Texas Aerospace Commission's fiscal year 2000 operating budget.

## Texas Aerospace Commission

### Key Performance Measures

- **The Number of New Jobs Announced in the Aerospace Industry in Texas**
- **The Number of Newly Created or Expanded Aerospace Facilities in Texas**
- **The Average Cost Per New Job Announced in the Aerospace Industry in Texas**
- **The Average Cost Per \$1,000 of Newly Created or Expanded Aerospace Facility in Texas**

The Texas Aerospace Commission (Commission) received the certification of Factors Prevented Certification for the performance measures listed above. The definitions for all of the measures state that the measure results must be directly attributable to the works of the Commission. The Commission could not support this assertion for its reported results. In addition, the Commission does not have documented policies and procedures for gathering and reporting its ABEST data. The Commission does not maintain supporting documentation for changes made to ABEST data.

The Commission lacked proper documentation to support that the reported number of new jobs announced was attributable to its work. As a result, the Commission's performance for the Number of New Jobs Announced in the Aerospace Industry in Texas and the Average Cost Per New Job Announced in the Aerospace Industry in Texas measures could not be properly gauged. The Commission reported that 1,800 new jobs were announced during fiscal year 1999. However, the Commission did not have documentation to demonstrate that 200 jobs were the direct result of its work.

During the audit, we noted that the Commission included in its calculation an estimated 1,100 new jobs that it could not support or verify. Subsequently, the Commission provided documentation to indicate that it was probable that 1,100 jobs were created. However, the Commission did not have the documentation to demonstrate that these jobs were the direct result of its works.

The Commission lacked proper documentation to support that the reported number of new aerospace facilities was attributable to its work. As a result, the Commission's performance for the Number of Newly Created or Expanded Facilities and the Average Cost Per \$1,000 of Newly Created or Expanded Facility could not be properly gauged. The Commission could not establish or support a connection between its direct work and the facilities reported as newly created or expanded.

Recommendation:

The Commission should:

- Work with the Legislative Budget Board to clarify measurable efforts that are “directly attributable to the direct works of the Texas Aerospace Commission.”
- Develop a system for gathering supporting documentation for its measures.
- Develop and implement policies and procedures for collecting and reporting performance data.
- Maintain documentation on changes made to report performance data.

**TEXAS AEROSPACE  
COMMISSION**



*David Carr  
Walter Cunningham  
Gale Burkett  
Jan Collmer  
Anne McNamara*

**Commissioners**

*Michael Butchko  
Bryon Sehlke  
T.C. Selman II  
Norma Webb*

**Executive Director**

Thomas L. Moser

May 8, 2000

Ms. Verma Elliott, Project Manager  
Office of the State Auditor  
206 East Ninth Street, Suite 1900  
Austin, TX 78701

Dear Ms. Elliott:

This letter is the requested response to the draft audit findings dated April 6, 2000 from your office concerning the Texas Aerospace Commission (TAC) and our meeting of April 25, 2000 in which we reviewed my draft to you of April 17, 2000.

In summary, I believe that adequate certification was presented of the "Key Performance Measures" and that the audit will help the TAC strengthen future certification documentation. I also appreciated the professional and cooperative manner in which the auditors conducted their work with the TAC.

Specifically, of the 1800 new jobs announced, documentation was provided on 1600 new jobs. I do concur that inadequate documentation was presented, for auditing purposes, on the 200 jobs associated with the new aircraft manufacturing facility located in the Dallas/Ft. Worth area. Because of this, the TAC has improved the process for documenting the Performance Measure supporting information.

Documentation was provided on the \$355 million of new aerospace facilities. \$340 million was associated with a new advanced aircraft facility in north Texas (\$40M new for plant and \$300M expansion of other facilities in the Dallas/Ft. Worth) - this is referenced in a leading national aerospace monthly publication. Today, the existence of these new facilities are evidenced by the production of the new advance aircraft. The TAC worked with the Governor's Office and members of Congress in promoting Texas, was a member of the TAC/TDED "Task Force", and communicated (verbally) with the management of the aerospace company. The \$15M new construction associated with a west Texas Air Force facility was documented in a local newspaper, August 11, 1998. The TAC worked with the local economic development group over a period of eleven months. "Working notes" document this effort.

STEPHEN F. AUSTIN BUILDING, B60 1700 N. CONGRESS AVENUE PO BOX 12088  
AUSTIN, TEXAS 78711-2088

Phone: 512/936-4TAC (936-4822) Fax: 512/936-4823 e-mail: aerospace@tac.state.tx.us

*Response to Draft Texas Aerospace Commission (Agency 354) Performance  
Measure Certification Results  
May 8, 2000  
Page 2*

Adequate documentation was apparently provided on all other performance measures - "Number of Business Opportunities" "Number of Information Projects"; "Joint Projects"; "Commission Projects". Because of your comments and suggestion, the TAC has improved the reporting and recording process of documentation for the Performance Measures. "Policy and Procedures for Performance Measures Documentation" have been established (attached). Also, the Executive Director and the Executive Assistant agreed with the LBB that the TAC will establish a more precise definition of what will constitute "new jobs" and "involvement" by the TAC in advancing aerospace business in Texas. The definitions will be incorporated in the TAC 2001-2005 Strategic Plan which will be submitted to the LBB and the Governor's Office by June 1, 2000.

Thank you for your assistance in improving the Performance Measures reporting process.

Sincerely,

A handwritten signature in black ink, appearing to read "T. L. Moser", with a long, sweeping flourish extending to the right.

Thomas L. Moser  
Executive Director

Attachment: "TAC Policy and Procedures for Performance Measures  
Documentation"

TLM/fj

State Auditor's Follow-Up Comment:

Documentation was provided for the performance measures (1) Number of Newly Created or Expanded Aerospace Facilities in Texas and, (2) Average Cost per \$1,000 of Newly Created or Expanded Aerospace Facility in Texas. The news articles provided announced the locations of one newly created facility, one expansion, and one potential expansion in Texas. However, neither the articles nor the working notes provided sufficient detail to show the Commission's involvement with the facilities being created or expanded in Texas. Documentation should exist and be sufficient for an external party to make the connection between the activities of the Commission and the expansion or creation of the facilities. The measure definitions indicate that a facility should not be counted in the performance result unless a facility was expanded or created based on works directly attributable to the Commission.

## | Telecommunications Infrastructure Fund Board

| <b>Telecommunications Infrastructure Fund Board (Agency No. 367)</b><br><b>Performance Measure Certification Results</b>  |  |                         |                                       |  |
|---|--|-------------------------|---------------------------------------|--|
| <b>Related Objective or Strategy</b>  | <b>Classification and Description of Measure</b>   | <b>Results Reported</b> | <b>Certification Results</b>          | <b>Auditor Comments</b>  |
| A.1   | Outcome<br>Percent Increase<br>Number of Campuses<br>Engaging in Distance<br>Learning Techniques | 31%                     | Factors<br>Prevented<br>Certification | See finding.   |
| A.1.1   | Output<br>Number of Grants and<br>Loans Provided   | 1,476                   | Certified With<br>Qualification       | The Board needs to document and implement procedures for collecting and reviewing data before final submission in ABEST. |
| A.1.1   | Output<br>Number of Grants and<br>Loans Provided to Rural<br>Schools                             | 427                     | Factors<br>Prevented<br>Certification | See finding.   |
| A.1.2   | Output<br>Number of Grants and<br>Loans Provided to<br>Institutions in Rural Areas               | 729                     | Factors<br>Prevented<br>Certification | See finding.   |
| B.1.1   | Output<br>Number of Grant and<br>Loan Requests<br>Processed                                      | 2,563                   | Inaccurate                            | The Board s source documentation did not support the number reported in ABEST.   |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |  |                         |                                       |  |

Source: Fiscal Year 1999 ABEST Report



## Telecommunications Infrastructure Fund Board

### Key Performance Measures

- **Number of Grants and Loans Provided to Schools in Rural Areas**
- **Number of Grants and Loans Provided to Institutions in Rural Areas**
- **Percent Increase for the Number of Campuses Engaged in Distance Learning Techniques**

The Telecommunications Infrastructure Fund Board (Board) received the certification of Factors Prevented Certification for the performance measures listed above. The Board deviated from the definitions in ABEST when calculating the results of these measures. Furthermore, two of the measures' names do not align with their definitions. In addition, no one supervises or reviews data collection, calculation, or reporting, and the Board does not have documented policies and procedures for the gathering and reporting its ABEST data.

The Board deviated from the definitions in ABEST when calculating the results.

Number of Grants and Loans Provided to Schools in Rural Areas and Number of Grants and Loans Provided to Institutions in Rural Areas were calculated using an internal definition of "rural area" instead of the definition in ABEST:

- Using its definition of a rural school district, the Board reported that it had provided 427 grants. The result that we recreated using the measure name and the ABEST definition of rural area was 286 grants provided.
- Using its definition of a rural institution, the Board reported that it had provided 729 grants. We could not recreate the result using the ABEST definition and the measure name, due to lack of information.

The Board also deviated from the measure definition for Percent Increase Number of Campuses Engaged in Distance Learning Techniques. The Board included distance grant awards in its calculation. However, according to the definition, campuses receiving grants from the Board should be excluded from the calculation. In addition, this measure is calculated based upon a baseline number whose origin could not be substantiated by the Board.

Two of the measures' names contradict their definitions. The Number of Grants and Loans Provided to Schools in Rural Areas and the Number of Grants and Loans Provided to Institutions in Rural Areas ask for a number, whereas the measure definitions instruct the Board to calculate the results as percentages:

- The number reported by the Board for Number of Grants and Loans Provided to Schools in Rural Areas was 427, a raw count of the grants awarded to schools in rural areas. The number we recreated according to the measure definition was 19.29 percent.
- For the Number of Grants and Loans Provided to Institutions in Rural Areas the Board reported 729, a cumulative count of the number of grants and loans was provided to institutions in rural areas. We could not recalculate the result

according to the measure definition because the Board could not produce the denominator used in the calculation according to the measure definition.

Recommendation:

The Board should:

- Use the measure definitions set forth in ABEST when calculating performance measure results.
- Work with the Legislative Budget Board's performance analyst to align the performance measure names with the performance definitions.
- Document policies and procedures for collecting, gathering, and reporting of ABEST data.

# Telecommunications Infrastructure Fund Board

BOARD MEMBERS  
THOMAS R. POWERS, CHAIR  
GWEN STAFFORD, VICE-CHAIR  
ROGER JAMES BENAVIDES  
JOHN E. COLLINS  
BLAIR FITZSIMONS  
CLINT FORMBY  
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April 13, 2000

Ms. Verma Elliott, Project Manager  
Office of the State Auditor  
Two Commodore Plaza  
206 East Ninth Street, Ste. 1900  
Austin, Texas 78701  
INTERAGENCY MAIL

Re: Performance Measure Audit Response

Dear Ms. Elliott,

The Telecommunications Infrastructure Fund Board (TIFB) acknowledges that the Texas Legislature adopted strategic planning and budgeting in 1991, emphasizing performance measurement in budgeting. Through that acknowledgement, TIFB submits the following plan to rectify its past approach. We support government accountability in allocating limited resources to provide better information to leadership.

As recommended by the Office of the State Auditor (SAO) TIFB will use the measure definitions set forth in the Automated Budget and Evaluation System of Texas (ABESTII) when calculating performance measure results. To date, TIFB has aligned the performance measures names with definitions, changed the definition of rural and realigned targets for the 2000/2001 biennium.

It is TIFB's intent to meet the following SAO's criteria for a complete performance measure definition:

- An explanation of what the measure is intended to show and why it is important,
- A description of where the information comes from and how it is collected,
- A clear and specific description of how the measure is calculated,
- An identification of any limitations about the measurement data, including factors, which may be beyond the agency's control,
- An identification of whether the data is cumulative or non-cumulative, and
- An explanation if the measure is new or established

As we enter into the joint strategic planning process with the Office of the Governor and the Legislative Budget Board, TIFB will develop and implement operating procedures to provide guidance for solving problems and making decisions. TIFB's detailed operating procedures will relate to collecting, calculating, reporting and monitoring performance measure data. The procedures will include input, process, and review controls sufficient to ensure complete, accurate and consistent reporting.

As a result of the performance measures audit, TIFB will also clearly define the roles and responsibilities of all employees involved in the performance measurement process. This will enable employees to understand the performance measurement system including oversight requirements, the overall importance of the process, and the role the employee serves. Properly tailored job descriptions are one means to ensure accountability, authority, and responsibility. This effort will also enhance communication related to performance measurement, as each job description will clearly state the employee's role and responsibility related to performance measurement data collection, calculation, reporting, and monitoring.

If you have further questions regarding this matter, please feel free to contact me at 512-344-4300.

Regards,

A handwritten signature in black ink that reads "Michelle Funder for Arnold Viramontes". The signature is written in a cursive style.

Arnold Viramontes  
Executive Director

## Finance Commission of Texas

| Finance Commission (Agency No. 449)<br>Performance Measure Certification Results  |  |                  |                                 |                  |
|---|--|------------------|---------------------------------|------------------|
| Related Objective or Strategy   | Classification and Description of Measure                                | Results Reported | Certification Results           | Auditor Comments |
| A   | Outcome<br>Number of Public Hearings Set by the Administrative Law Judge | 136              | Factors Prevented Certification | See finding.     |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |  |                  |                                 |                  |

Source: Fiscal Year 1999 ABEST Report

## **Finance Commission of Texas**

### **Key Performance Measure**

#### **Number of Public Hearings Set by the Administrative Law Judge**

The Finance Commission of Texas (Commission) has received a certification category of Factors Prevented Certification for its Number of Public Hearings Set by the Administrative Law Judge performance measure.

The name of the measure and the definition of the measure are not aligned. The measure is currently defined as the Number of Cases Filed With the Administrative Law Judge During the Reporting Period. However, there is not a one-to-one correlation between the number of public hearings set and the number of cases filed. The Commission reported 136 public hearings set for fiscal year 1999. If the Commission's performance measures were audited based upon the measure's definition, the count would be 129.

The Commission is currently working with its Legislative Budget Board performance analyst to revise the definition. If the measure were audited based upon the Commission's proposed definition, the number that should have been reported is unknown, although the Commission agrees that it would be significantly higher than the 136 actually reported. It should be noted that the Commission's proposed definition is similar to the State Office of Administrative Hearing's definition of an identical performance measure. The measure definition should be consistent with the measure name and should not be open to interpretation.

The Commission did not have documented procedures for the gathering and reporting of its ABEST data at the time of our audit. Management has since begun developing these procedures. There was also no separation of duties with respect to the entry of performance data, review of data entry, and the release of data into ABEST for processing.

#### **Recommendation:**

The Commission should continue to work with its Legislative Budget Board performance analyst to obtain a clearer definition that mirrors the activity the measure is designed to reflect. The Commission should also finalize documenting and implementing its prescribed procedures for ABEST data gathering and reporting. These procedures should include a separation of duties relating to the data entry and the review of data entry functions.

## The Finance Commission of Texas

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W. D. Hilton, Jr., Chairman  
Jeff Austin, Jr.  
Steven C. Hastings  
Deborah H. Kovacevich  
Marlene Martin  
Manuel J. Mehos  
Buddy Puente, Jr.  
John L. Snider  
Robert V. Wingo

February 24, 2000

Ms. Beverly Schulke  
Office of the State Auditor  
Two Commodore Plaza  
206 East Ninth Street, Suite 1900  
Austin, Texas 78701

Dear Ms. Schulke:

This letter is a staff response to your correspondence dated February 1, 2000 concerning the recent performance measure audit of the Finance Commission. As your findings report, we agree that the current definition and measure do not match. In our reported 136, we included each case setting once and each prehearing setting once. The term prehearing is short for "preliminary hearing" which is a type of hearing. The term "preliminary hearing" is discussed in Black's Law Dictionary under the definition of the word hearing instead of being listed under a separate heading. Your calculation of 129 did not include the prehearings.

In a letter dated December 15, 1999, we asked both the Legislative Budget Board and Governor's Office of Budget and Planning to amend our definition for this measure. The Legislative Budget Board, with concurrence from the Governor's Office of Budget and Planning, recently responded to this request and the measure and definition are now as follows:

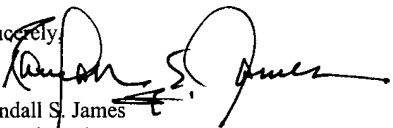
Measure – Number of cases set for hearing.

Definition – The number of cases initially set during the reporting period for hearing or prehearing with the Administrative Law Judge. (Cumulative)

In addition, we have now adopted formal procedures for tracking and gathering the case data for this measure and have implemented a separation of duties relating to the ABEST functions.

We appreciate the opportunity to respond to the findings and feel confident that future audits will have successful results. Please feel free to call me at 475-1280 with any questions.

Sincerely,

  
Randall S. James  
Executive Director

2601 N. Lamar Boulevard, Austin, Texas 78705-4294 / Phone: (512) 475-1300 / Fax: (512) 475-1313 / [www.banking.state.tx.us](http://www.banking.state.tx.us)

**Office of Consumer Credit Commissioner**

| <b>Office of Consumer Credit Commissioner (Agency No. 466)</b> |  |                         |                              |  |
|--|--|-------------------------|------------------------------|--|
| <b>Performance Measure Certification Results</b>               |  |                         |                              |  |
| <b>Related Objective or Strategy</b>                           | <b>Classification and Description of Measure</b>                                       | <b>Results Reported</b> | <b>Certification Results</b> | <b>Auditor Comments</b>  |
| A  | Outcome<br>Percent of Complaints Resolved Within Seven Days                            | 94.1%                   | Inaccurate                   | <p>The denominator was determined to be inaccurate when tested as a separate performance measure; therefore, this measure is also inaccurate.</p> <p>During the audit, we noted that the Commission needed to implement policies and procedures for gathering and reporting data to ABEST before final submission. The Commission has since implemented policies and procedures.</p>   |
| C  | Outcome<br>Percentage of Texans Reached Through Announcements, Releases, and Pamphlets | 16.5%                   | Inaccurate                   | <p>Four exceptions were noted in a sample of 29 items from a population of 40. The agency underreported the number to ABEST by 2.5 percent.</p> <p>During the audit, we noted that the Commission needed to implement policies and procedures for gathering and reporting data to ABEST before final submission. The Commission has since implemented policies and procedures.</p>   |
| A.1.1  | Output<br>Number of Complaints Closed  | 3,413                   | Inaccurate                   | <p>Testing of a sample of 61 cases identified 10 errors. Errors were the result of complaints that were not documented as being closed. This error rate is beyond the 5 percent error rate allowed by the State Auditor's Office.</p> <p>During the audit, we noted that the Commission needed to implement policies and procedures for gathering and reporting data to ABEST before final submission. The Commission has since implemented policies and procedures.</p>             |
| A.1.1  | Output -<br>Number of Field Investigations Initiated                                   | 76                      | Inaccurate                   | <p>Testing on sample of 29 cases identified 4 errors. These errors were the result of work performed that were not considered field investigations. This error rate is beyond the 5 percent error rate allowed by the State Auditor's Office.</p> <p>During the audit, we noted that the Commission needed to implement policies and procedures for gathering and reporting data to ABEST before final submission. The Commission has since implemented policies and procedures.</p> |



**Office of Consumer Credit Commissioner (Agency No. 466)**  
**Performance Measure Certification Results**

| Related Objective or Strategy | Classification and Description of Measure                 | Results Reported | Certification Results | Auditor Comments   |
|-------------------------------|---|------------------|-----------------------|--|
| C.1.1                         | Output - Number of Consumers Receiving In-Person Services | 16,467           | Inaccurate            | <p>Five exceptions were noted during the testing giving the Commission an inaccurate rating for this measure.</p> <p>During the audit, we noted that the Commission needed to implement policies and procedures for gathering and reporting data to ABEST before final submission. The Commission has since implemented policies and procedures.</p> |

A measure is **Certified** if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

A measure is **Certified With Qualification** when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.

**Factors Prevented Certification** when actual performance cannot be determined because of inadequate controls.

A measure is **Inaccurate** when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.

Source: Fiscal Year 1999 ABEST Report

## | Research and Oversight Council on Workers Compensation

| <b>Research and Oversight Council on Workers Compensation (Agency 478)<br/>Performance Measure Certification Results</b>  |   |                         |                              |   |
|---|---|-------------------------|------------------------------|---|
| <b>Related Objective or Strategy</b>  | <b>Classification and Description of Measure</b>              | <b>Results Reported</b> | <b>Certification Results</b> | <b>Auditor Comments</b>   |
| A   | Outcome<br>Number of Publications Produced                    | 19                      | Certified With Qualification | The Council should continue to work with the Legislative Budget Board to clarify this definition so that it clearly reflects how publications are counted. The Council also needs to document procedures for reviewing data in ABEST before final submission.   |
| A.1   | Output<br>Number of Professional Studies Completed by the ROC | 16                      | Certified With Qualification | The Council corrected erroneous performance data submitted in previous quarters by increasing its number in the fourth quarter rather than revising its numbers in the quarters in which the errors occurred. The total submitted for the fiscal year was correct. After the audit, the Council revised the reports to reflect the correct number of professional studies completed in each quarter. The Council also needs to document procedures for reviewing data in ABEST before final submission. |
| A.2   | Output<br>Number of Public Hearings Held                      | 1                       | Certified With Qualification | The Council needs to document and implement procedures for reviewing data in ABEST before final submission.   |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |   |                         |                              |   |

Source: Fiscal Year 1999 ABEST Report

## | State Office of Risk Management

| <b>State Office of Risk Management (Agency No. 479)<br/>Performance Measure Certification Results</b>   |   |                         |                              |   |
|---|---|-------------------------|------------------------------|---|
| <b>Related Objective or Strategy</b>  | <b>Classification and Description of Measure</b>  | <b>Results Reported</b> | <b>Certification Results</b> | <b>Auditor Comments</b>   |
| A   | Outcome<br>Cost of Workers Compensation per Covered State Employee  | \$323.09                | Certified With Qualification | The Office's calculation methodology is not aligned with the measure definition.  |
| A   | Outcome<br>Incident Rate of Injuries and Illnesses per 100 Covered Full-Time State Employees <sup>1</sup> | 4.71%                   | Certified With Qualification | The Office needs to document and implement procedures for collecting and reviewing data before final submission in ABEST. |
| A.2.1   | Output<br>Number of Bills Paid  | 148,144                 | Certified With Qualification | The Office needs to document and implement procedures for collecting and reviewing data before final submission in ABEST. |
| A.1.1   | Output<br>Number of Risk Management Program Reviews Conducted <sup>2</sup>                                | 8                       | Certified With Qualification | The Office needs to document and implement procedures for reviewing data before final submission in ABEST.                |
| A.2.1   | Efficiency<br>Average Cost to Administer Claim <sup>1</sup>   | \$320                   | Certified With Qualification | The Office needs to document and implement procedures for collecting and reviewing data before final submission in ABEST. |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |   |                         |                              |   |

Source: Fiscal Year 1999 ABEST Report

<sup>1</sup> Source for these measures was the fiscal year 2000 operating budget.

<sup>2</sup> Source for this measure was the ABEST report for the first quarter of fiscal year 2000.

## | Optometry Board

| <b>Optometry Board (Agency No. 514)<br/>Performance Measure Certification Results</b>   |  |                         |                              |  |
|---|--|-------------------------|------------------------------|--|
| <b>Related Objective or Strategy</b>  | <b>Classification and Description of Measure</b>         | <b>Results Reported</b> | <b>Certification Results</b> | <b>Auditor Comments</b>  |
| A   | Outcome<br>Number of Licensees With No Recent violations | 99.9                    | Certified With Qualification | The Board should comply with the measure definition by including the two prior years as well as the current year in its calculations. The Board should document detailed procedures for gathering ABEST data. The Board should also document management's review of ABEST data both before and after it is released into ABEST.          |
| A.1.1   | Output<br>Number of New Licenses Issued                  | 142                     | Certified With Qualification | The Board should document detailed procedures for gathering ABEST data. The Board should also document management's review of ABEST data both before and after it is released into ABEST.  |
| A.1.1   | Output<br>Number of Licenses Renewed                     | 2,860                   | Certified With Qualification | The Board should retain documentation to support the fiscal year renewals. The Board should document management's review of ABEST data both before and after it is released into ABEST.  |
| A.1.1   | Output<br>Complaints Resolved                            | 112                     | Certified With Qualification | The Board should document detailed procedures for gathering ABEST data. The Board should also document management's review of ABEST data both before and after it is released into ABEST.  |
| A.1.1   | Efficiency<br>Average Time for Complaint Resolution      | 46.6                    | Inaccurate                   | Testing showed the number reported to ABEST to be inaccurate. The Board has since instituted a computerized methodology to ensure consistency. The Board should document detailed procedures for gathering ABEST data. The Board should also document management's review of ABEST data both before and after it is released into ABEST. |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |  |                         |                              |  |

Source: Fiscal Year 1999 ABEST Report

## | State Board for Educator Certification

| <b>State Board for Educator s Certification (Agency No. 705)<br/>Performance Measure Certification Results</b> |  |                         |                                 |  |
|--|--|-------------------------|---------------------------------|--|
| <b>Related Objective or Strategy</b>   | <b>Classification and Description of Measure</b>   | <b>Results Reported</b> | <b>Certification Results</b>    | <b>Auditor Comments</b>  |
| A  | Outcome<br>Percent of Teachers Who Are Certified   | 95.1%                   | Certified With Qualification    | <p>The Board needs to implement policies and procedures for the collection, calculation, reviewing and reporting of data into ABEST. The Board s needs to retain its source documentation for this calculation.</p> <p>The Board needs to implement a separation of duties for the collecting and the reporting of data into ABEST.</p>  |
| A  | Outcome -<br>Percent of Teachers Who Are Employed/Assigned to Teaching Positions for Which They Are Certified <sup>1</sup> | 96.1%                   | Factors Prevented Certification | See finding.   |
| A  | Outcome -<br>Percent of Educator Preparation Programs Rated Accredited   | No results reported     | Not Applicable                  | This is a new performance measure, and data was not available for testing.   |
| A  | Outcome -<br>Percent of Documented Complaints Resolved Within Six Months   | 48%                     | Inaccurate                      | <p>Testing of the Board s source documentation resulted in an error rate greater than 5 percent. The Board is working towards resolving this inaccuracy by collecting data in accordance with the definition; however, the Board needs to meet with the Legislative Budget Board to ensure that it agrees with the Board s methodology.</p> <p>This measure should be calculated and reviewed by the Board prior to submission to the ABEST coordinator. The Board needs to document a review of ABEST data prior to final submission into ABEST. This review should be documented in the Board s policies and procedures.</p> |
| A.1.1  | Output -<br>Individuals Certified Through Alternative Certification Programs   | 2,437                   | Factors Prevented Certification | See finding.   |

<sup>1</sup> Source for this measure was the fiscal year 2000 operating budget.

| State Board for Educator s Certification (Agency No. 705)<br>Performance Measure Certification Results   |  |                  |                       |  |
|--|--|------------------|-----------------------|--|
| Related Objective or Strategy  | Classification and Description of Measure        | Results Reported | Certification Results | Auditor Comments   |
| A.1.1  | Efficiency - Average Cost Per Certificate Issued | 42.4             | Inaccurate            | Testing of the Board s source documentation resulted in an error rate greater that 5 percent. This miscalculation was due to an accounting error that resulted in an intra-agency transfer in the amount of \$550,000. The Board should review cost and expense information prior to computing the average cost. Documentation of this review should be noted on source documents.<br><br>The Board is working toward resolving this problem by collecting data in accordance with the definition. |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls or insufficient source documentation.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |  |                  |                       |  |

Source: Fiscal Year 1999 ABEST Report

## State Board for Educator Certification

### Key Performance Measures

- **Percent of Teachers Who Are Employed/Assigned to the Teaching Positions for Which They Are Certified**
- **Individuals Certified Through Alternative Certification Programs**

The State Board for Educator Certification (Board) has received a certification of Factors Prevented Certification for the above performance measures. The Board could not produce documentation to recreate the number reported in ABEST. In addition, supervisory reviews of data collection, calculation, and reporting into ABEST were not consistently performed.

The Board did not have sufficient documentation to verify what was reported to ABEST. The Board reported 96.10 percent for the performance measure Percent of Teachers Who Are Employed/Assigned to the Teaching Positions for Which They Are Certified, yet could not locate source documentation to support the number. The Board also could not identify the person responsible for collecting data for the measure.

For the performance measure Individuals Certified Through Alternative Certification Programs, documentation was also unavailable to verify the reported measure. The Board's database does not retain information because it allows a date field in the database to be changed. In an effort to recreate the number reported to ABEST, the Board recreated the query during fieldwork. The result deviated by 53 percent from the number reported in ABEST.

Supervisory reviews of data collection, calculation, and reporting were not consistently performed. The Board did not have documented policies and procedures for gathering, reviewing, and reporting ABEST data.

### Recommendation:

The Board should:

- Maintain documentation in support of performance measure data. Documentation should be sufficient in detail to allow for an audit trail to the original document or file.
- Document policies and procedures for gathering, reviewing, and reporting ABEST data.
- Maintain hard copies of performance measure data that is calculated but cannot be saved by its computer system.
- Clearly define who is responsible for collecting data on all performance measures.
- Assign someone to perform supervisory review of ABEST data prior to final submission into ABEST.



# State Board for Educator Certification

May 10, 2000

Chair  
James D. Harris

Vice-Chair  
Ed Patton

Board Members  
Felipe T. Alanis  
Carmel Borders  
Kenneth Craycraft  
Annette Griffin  
Art Lacy  
Cynthia Phillips  
James B. Price  
Mary Resendez  
Xavier Rodriguez  
Mary Margaret Rucker  
Antonio Sanchez  
William Sanford  
Keith Sockwell

Executive Director  
Pamela B. Tackett

Lawrence F. Alwin, State Auditor  
Verma L. Elliot, Project Manager  
Office of the State Auditor  
Two Commodore Plaza  
206 East Ninth Street, Suite 1900  
Austin, Texas 78701

Dear Mr. Alwin and Ms. Elliot:

After reviewing the findings of the performance measure audit conducted by your staff, I would like to respond that we are in general agreement with the two significant findings (documentation and policies and procedures for gathering, reviewing, and reporting ABEST data) as well as the related recommendations.

Many of the key measures of our agency are extracted directly from our various databases; therefore, we have simply queried the database and entered the resulting data. Prior to the implementation of a new integrated technology system this fall, we did not have a way to electronically store the data that was submitted to ABEST and did not print out the records to document the submission. Our new system, coupled with our response to your second finding, will enable us to maintain auditable records of our ABEST submissions.

In terms of policies and procedures for reporting performance measures, we have had informal procedures to ensure that appropriate staff reviewed the data prior to submission into ABEST. We are in the process of formalizing these procedures to ensure that one staff member is assigned responsibility for each measure, that division directors review and sign off on the data generated, and that I review and sign off on the data before it is entered into ABEST.

We have worked diligently to review the methodologies for all of our performance measures, most of which we inherited from the Texas Education Agency when our agency was created in 1996. We have also had numerous conversations with our analysts in the Governor's office and the Legislative Budget Board as the internal review and scrutiny of our measures continue. To that end, we will submit to Ms. Elliot under separate cover information for our requested measures and take advantage of her offer to review and comment on the definitions and methodologies.

Finally, I would like to thank you and your staff for the very professional way in which this audit was conducted. Sonya Etheridge and James Matlock were extremely thorough, friendly, and accommodating in light of my staff's hectic schedules. We learned a great deal and look forward to improving our practices as a result of the information provided by the audit. Please let me know if I can provide any additional information regarding the audit and our response to your findings and recommendations.

Sincerely,

Pamela B. Tackett  
Executive Director

1001 Trinity Street - Austin, Texas 78701-2603  
Tel - 512/469-3000 - Fax - 512/469-3002  
web site - [www.sbec.state.tx.us](http://www.sbec.state.tx.us)



## Follow-Up Results

### | Research and Oversight Council on Workers Compensation

| <b>Research and Oversight Council on Workers Compensation (Agency No. 478)</b><br><b>Performance Measure Certification Results</b><br><b>Follow Up on SAO Report No. 99-320</b>   |   |   |  |
|---|---|---|--|
| <b>Related Objective or Strategy</b>  | <b>Classification and Description of Measure</b>                        | <b>Comments from Prior Audit SAO Report No. 99-320</b>  | <b>Control System Improvements Made</b>  |
| A   | Efficiency<br>Average Cost per Professional Study Completed             | These performance measures were Certified With Qualification. This was based on the fact that policies and procedures did not exist for data collection, input, and verification. | The Council currently has documented procedures for data collection and calculation. However, the Council does not have documented procedures for the verification of data after it is entered into ABEST but before final submission. |
| A.1   | Outcome<br>Percentage of Professional Studies Completed Within Schedule |   |  |
| A.2   | Output<br>Number of Publications Distributed                            |   |  |
| <p>A measure is <b>Certified</b> if reported performance is accurate within +/-5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p><b>Factors Prevented Certification</b> when actual performance cannot be determined because of inadequate controls.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or if there is more than a 5 percent error rate in supporting documentation.</p> |   |   |  |

Source: Fiscal Year 1998 ABEST Report

## Historical Information

The cumulative effect of all audits conducted by the State Auditor's Office since 1994 shows that the average reliability percentage for all state entities audited is 63 percent. As a result, a significant amount (37 percent) of key performance information cannot be relied upon by decision makers.

Although performance measurement controls have gradually improved overall, control weaknesses continue to prevent a higher reliability rate. A greater emphasis on review procedures by management could help prevent and detect errors.

The accuracy of performance measure reporting for all certification audits is summarized in the following three figures. Figure 3 shows the individual and average reliability percentages over seven years for all state entities. The bars represent individual audit results from a particular phase, and the line represents the average results of all certification reports.

Figure 3 shows a variance of 11 percent between the high and low average figures, while the variance between individual audits is 33 percent.

Figure 3

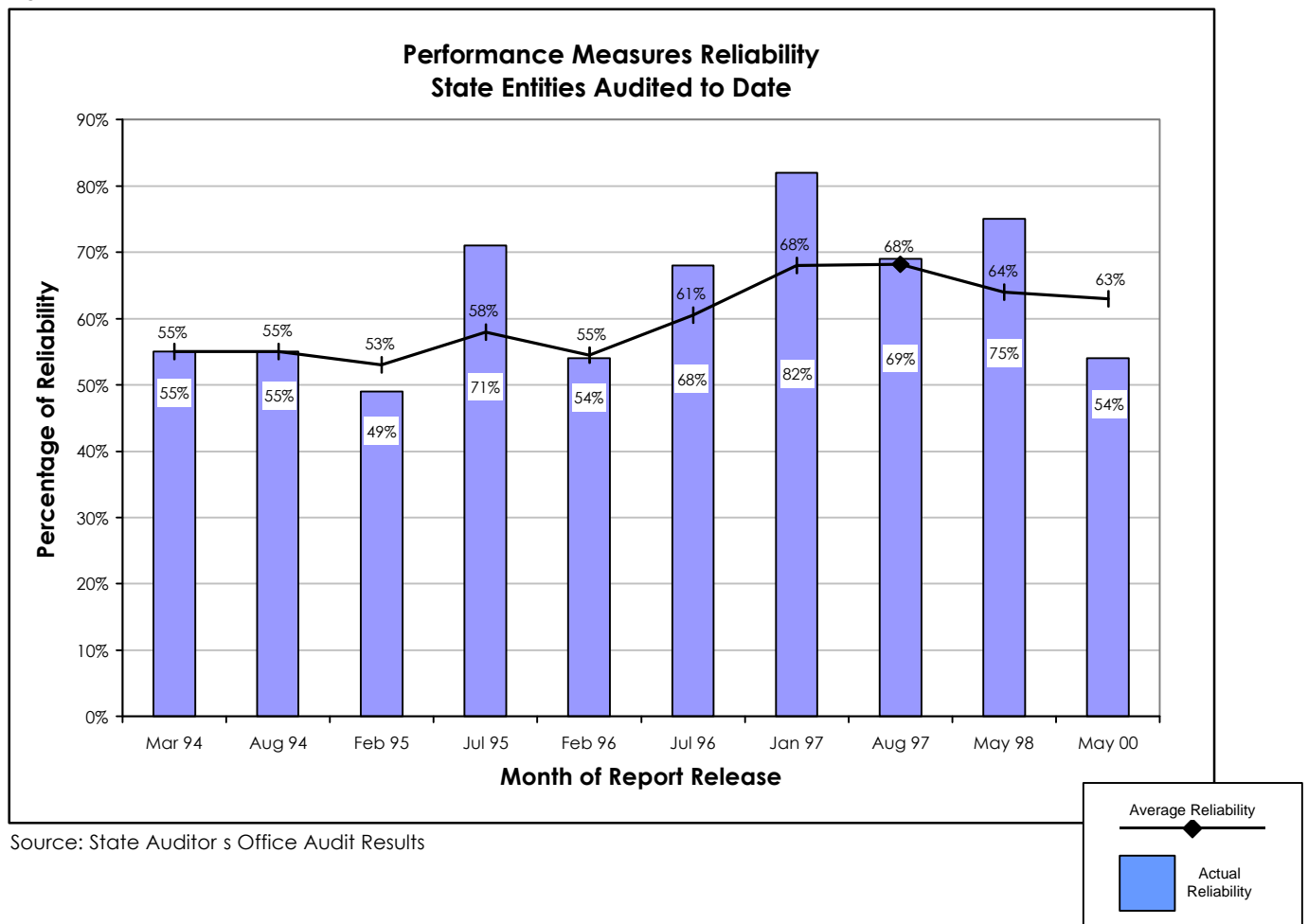
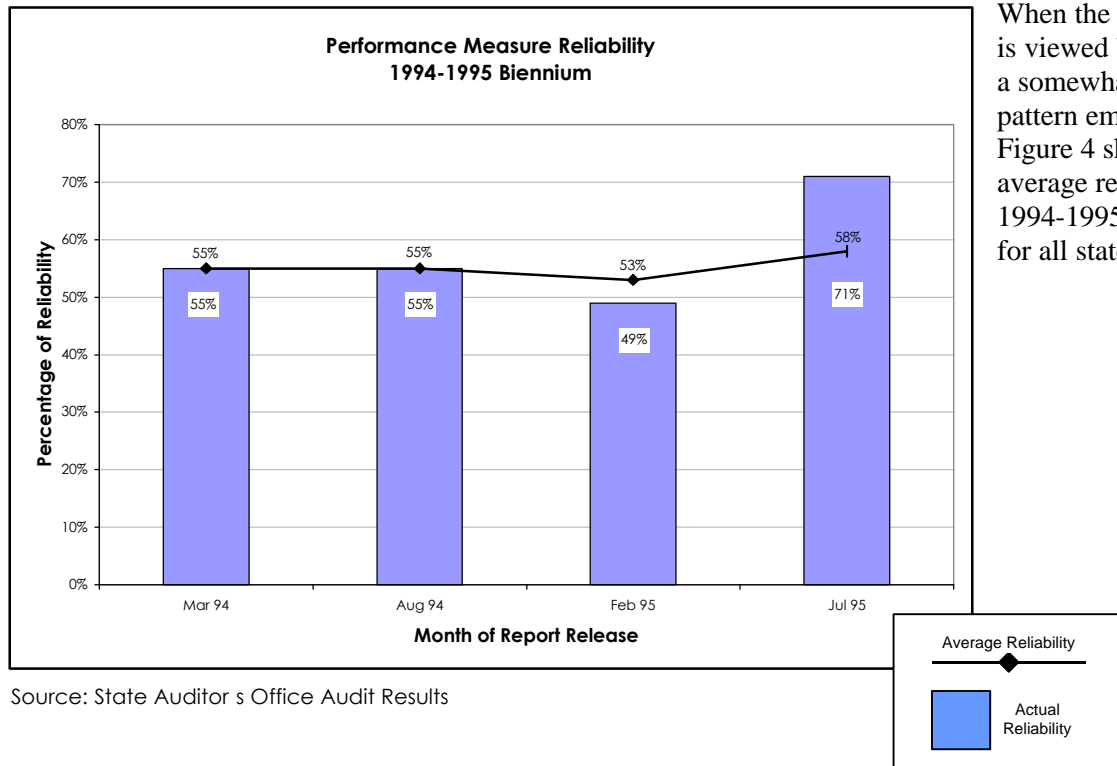


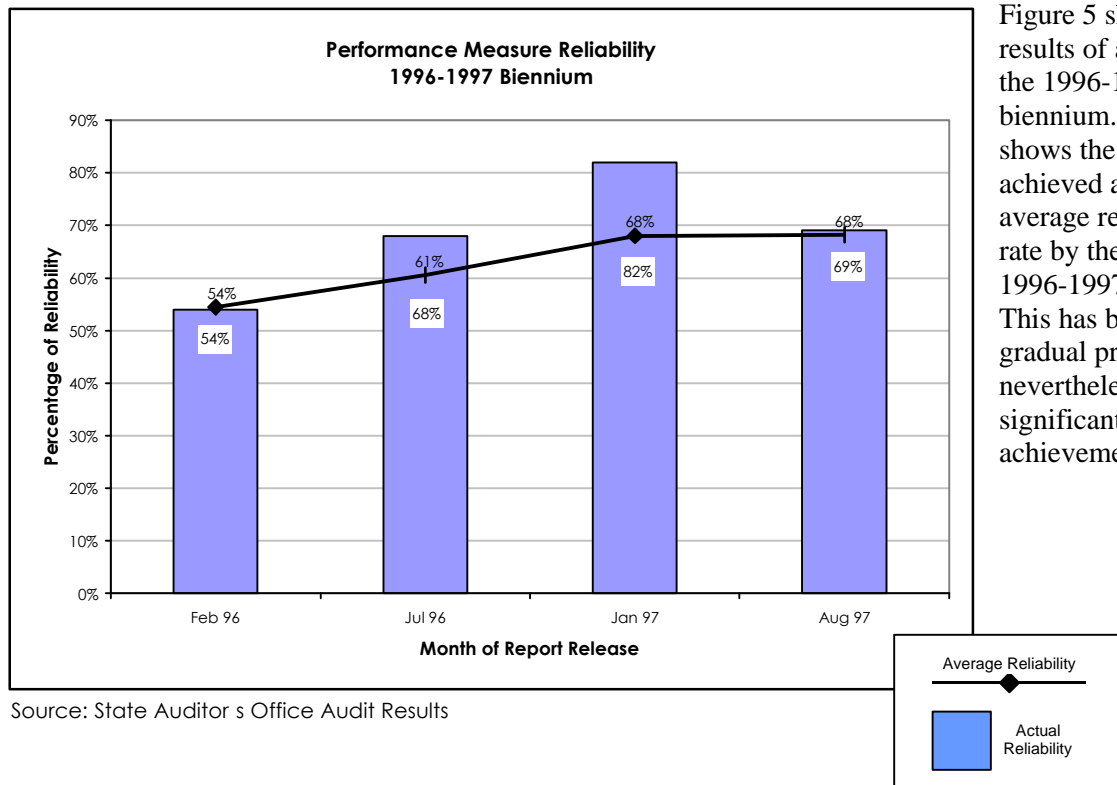
Figure 4



Source: State Auditor's Office Audit Results

When the same data is viewed biennially, a somewhat different pattern emerges. Figure 4 shows the average reliability in 1994-1995 biennium for all state entities.

Figure 5



Source: State Auditor's Office Audit Results

Figure 5 shows the results of audits for the 1996-1997 biennium. This data shows the State achieved a 68 percent average reliability rate by the end of the 1996-1997 biennium. This has been a gradual process, but nevertheless a significant achievement.

Figure 6

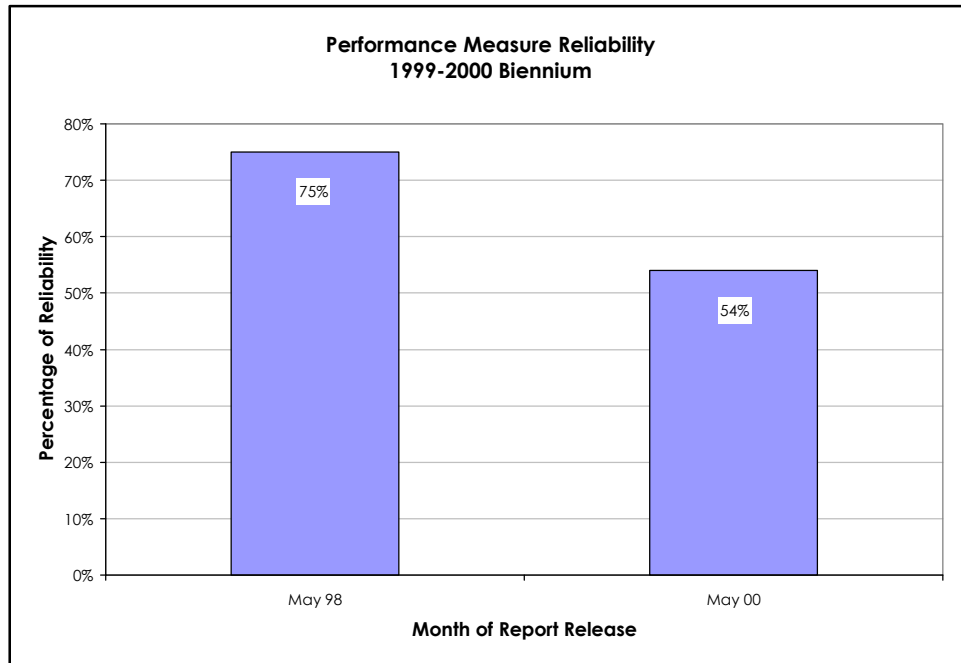


Figure 6 shows that there is a decline in the reliability of performance measures. This does not mean that overall the State is not improving. This decrease may be due to the fact that the majority of the agencies audited in this phase had never had a certification audit. This rate of accuracy is consistent with the accuracy rates we achieved in fiscal years 1994 and 1995 when we first started evaluating performance measures.

Source: State Auditor's Office Audit Results

Figure 7

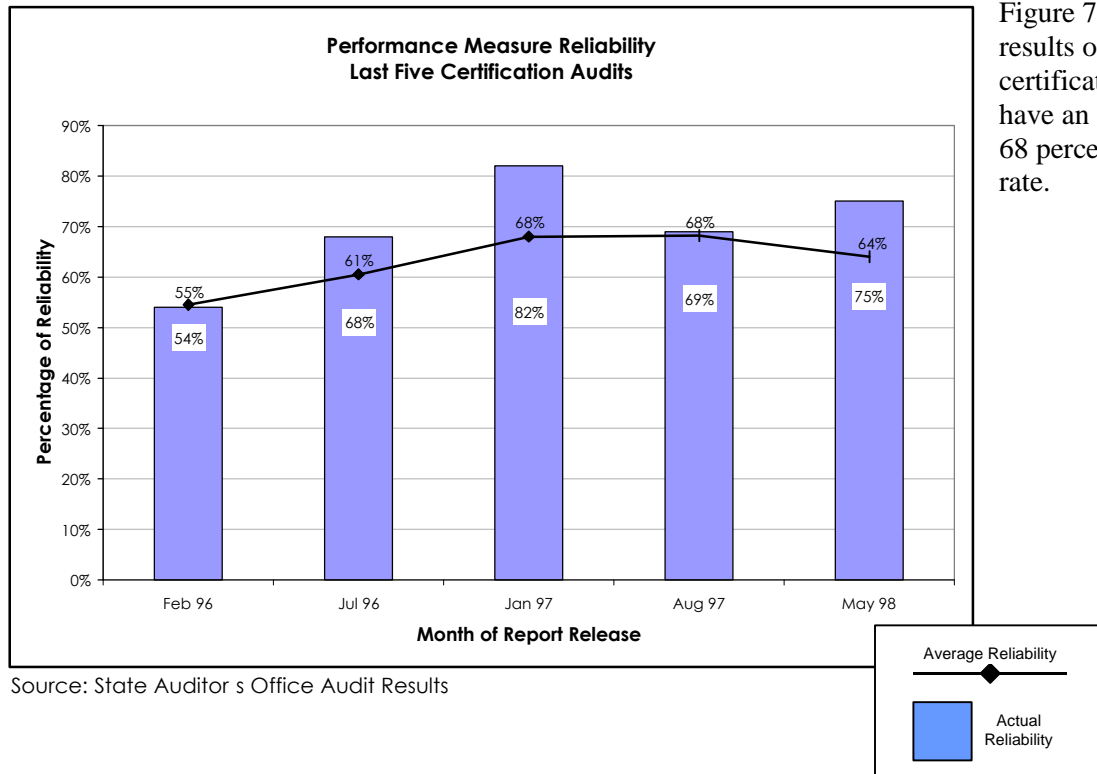


Figure 7 shows the results of the past five certification audits have an average of a 68 percent reliability rate.

Source: State Auditor's Office Audit Results

## Objectives, Scope, and Methodology

### Objectives

The objectives of this audit were to:

- Determine whether selected state entities are accurately reporting their key performance measures to the Automated Budget and Evaluation System of Texas (ABEST) database.
- Determine whether selected state entities have adequate control systems in place over the collection and reporting of their performance measures.

### Scope

Certain key and non-key measures were reviewed at 11 state entities. We reviewed performance measure results reported by state entities to determine whether they were accurate. We also reviewed controls over the submission of data used in reporting performance measures. We traced performance information to the original source whenever possible.

### Methodology

Performance measures were certified using the following procedures:

- The State Auditor's Office and the Legislative Budget Board chose agencies and measures to be audited based on risk factors identified by the Legislative Budget Board and the State Auditor's Office.
- Measures were selected from the population of key and non-key performance measures in ABEST. ABEST data was selected because it is relied upon by state decision makers.
- We reviewed calculations for accuracy and to ensure that these calculations were consistent with the methodology agreed upon by the agencies and the Legislative Budget Board.
- We analyzed the flow of data to evaluate whether proper controls were in place.
- We tested a sample of source documents to verify the accuracy of reported performance.
- Performance measure results were reported in one of these four categories: (1) Certified, (2) Certified With Qualification, (3) Factors Prevented Certification, or (4) Inaccurate.

- Findings were written for any measures categorized as Factors Prevented Certification. The findings give more detail than the comments in the matrix and provide the entities with the opportunity to communicate how the problems will be addressed.

### **Other Information**

Audit fieldwork was conducted from January 2000 through April 2000. This audit was performed in accordance with generally accepted government auditing standards.

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

- Verma Elliott, MBA (Project Manager)
- Sonya Ethridge
- Victoria Harris
- James Matlock
- Beverly Schulke, CPA
- Elizabeth Scheller, MPA
- Ruben Jimenez, CPA
- Lee Laubach
- Cherylynn Putman, CPA, MBA
- David Speegle
- Bob Brown, CPA
- Robert Bollinger, CPA (Quality Control Reviewer)
- Beth Arnold, CIA (Audit Manager)
- Deborah Kerr, Ph.D. (Director)