



John Keel, CPA
State Auditor

An Audit Report on

Performance Measures at the Department of Agriculture

July 2007

Report No. 07-038



An Audit Report on

Performance Measures at the Department of Agriculture

SAO Report No. 07-038
July 2007

Overall Conclusion

The Department of Agriculture (Department) reported reliable results for 60 percent (three of five) of the fiscal year 2006 key performance measures audited. A result is considered reliable if it is certified or certified with qualification.

Specifically:

- Three key performance measures—Percent of Texas Farmers, Ranchers, and Agribusinesses Inspected Found to Be in Full Compliance with Pesticide Laws; Number of Inspections to Verify Compliance for Organic or Other Crop Production Certification Programs; and Percent of School Districts in Compliance with Nutrition Regulations—were certified with qualification because the Department's controls over the entry and release of data into the Automated Budget and Evaluation System of Texas (ABEST) were weak and could not ensure continued accuracy.
- One key performance measure—Number of Pounds of Fruits, Vegetables, Peanuts and Nuts Inspected (In Billions)—was inaccurate. Incorrect data was entered into ABEST.
- Factors prevented certification of one key performance measure: Percent of Total Weights and Measures Inspections Conducted That Are Found to Be in Full Compliance with State and Federal Standards. The total number of inspections that the Department used to calculate the performance measure could not be confirmed to allow auditors to test for accuracy.

Background Information

Agencies report results for their key measures to the Legislative Budget Board's budget and evaluation system, which is called the Automated Budget and Evaluation System of Texas, or ABEST.

Table 1 summarizes the certification results for the five key performance measures tested.

Table 1

Department of Agriculture (Agency No. 551)			
Related Objective or Strategy, Classification, and Description of Measure	Fiscal Year	Results Reported in ABEST	Certification Results
A, Outcome, Percent of Texas Farmers, Ranchers, and Agribusinesses Inspected Found to Be in Full Compliance with Pesticide Laws	2006	92.82%	Certified with Qualification
A, Outcome, Number of Inspections to Verify Compliance for Organic or Other Crop Production Certification Programs	2006	389	Certified with Qualification
A, Outcome, Number of Pounds of Fruits, Vegetables, Peanuts, and Nuts Inspected (In Billions)	2006	2.44 Billion	Inaccurate
A, Outcome, Percent of Total Weights and Measures Inspections Conducted That Are Found to Be in Full Compliance with State and Federal Standards	2006	94.00%	Factors Prevent Certification
A, Outcome, Percent of School Districts in Compliance with Nutrition Regulations	2006	89.00%	Certified with Qualification
<p>A measure is Certified if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.</p> <p>A measure is Certified With Qualification if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p>A measure is Inaccurate when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.</p> <p>A Factors Prevent Certification designation is used when actual performance cannot be determined because of insufficient documentation and inadequate controls or when there is deviation from the measure definition and the auditor cannot determine the correct result.</p>			

Summary of Management's Response

The Department agrees with the findings and recommendations in this report.

Summary of Information Technology Review

The Department has appropriate controls for the separation of duties within its automated systems. Auditors noted that the Department's licensee database system did not have controls that would prevent historical data from being changed. This weakness prevented auditors from being able to certify one performance measure.

Summary of Objective, Scope, and Methodology

The objectives of the audit were to determine whether the Department:

- Is accurately reporting selected key performance measures to the Automated Budget and Evaluation System of Texas (ABEST) database.
- Has adequate control systems in place over the collection, calculation, and reporting of selected key performance measures.

The scope of this audit covered key performance measure results reported by the Department for fiscal year 2006.

The audit methodology included selecting five key performance measures, auditing reported results for accuracy and adherence to measure definitions, evaluating controls over the performance measures certification process and related information systems, and testing of original source documentation.

Contents

Detailed Results

Chapter 1	
The Department Reported Reliable Results for Three of Five Key Performance Measures Audited	1

Appendix

Appendix	
Objective, Scope, and Methodology	8

Detailed Results

Chapter 1

The Department Reported Reliable Results for Three of Five Key Performance Measures Audited

The Department Should Implement Written Policies and Procedures for Reviewing Performance Measures

For the five performance measures audited, the Department of Agriculture (Department) does not have sufficient controls in place to ensure its reported performance measures are accurate.

Auditors identified control weaknesses in the Department's process for entering and releasing data into the Automated Budget and Evaluation System of Texas (ABEST). Specifically, one Department employee entered and then released the data into ABEST as final, with no independent review of this data. After the data was finalized in ABEST, a copy of the data was forwarded to each assistant commissioner for approval. Each assistant commissioner would return the data with either written approval or corrections that should be made. Auditors determined that one assistant commissioner consistently was not given the data to review, which resulted in one key performance measure being inaccurate. The lack of review caused three key performance measures to be certified with qualification and may have caused one performance measure to be inaccurate.

Recommendations

The Department should implement written policies and procedures that:

- Require segregation of duties between entering performance measure data, reviewing performance data, and releasing performance data into ABEST.
- Require written documentation of the approval of performance data prior to release in ABEST.

Management's Response

TDA management agrees with the findings and recommendations of the State Auditor's Office. As of the third quarter measures for FY 2007, Financial Services has implemented new procedures for reviewing and verifying performance measure data before it is submitted in ABEST. A new transmittal form is completed and signed by the Assistant Commissioner and returned to Financial Services detailing performance measure information.

The performance measure Budget Analyst in Financial Services takes the information from the transmittal form (numbers) and enters this information to an excel spreadsheet on the S:drive. Data on the S:drive can only be modified by Financial Services.

Meetings are held with Executive and the divisions to review the quarterly information. After the revisions have been made, the Deputy Commissioner reviews and approves.

All of the information is entered into ABEST from the S:drive by the Budget Analyst and an ABEST report is printed. A copy of the excel spreadsheet is delivered to the divisions along with a certification of data input. Each Assistant Commissioner must verify that all data input was entered correctly and return this form to Financial Services. The Budget Coordinator in Financial Services verifies the data entry information in ABEST to the signed certification sheet with the excel spreadsheet attached and then closes ABEST.

Implementation Date: *The new process was implemented for the third quarter, 2007. New policies and procedures will be distributed by August 31, 2007.*

Responsible Person: *Chief Financial Officer*

Key Measures

Percent of Texas Farmers, Ranchers, and Agribusinesses Inspected Found to Be in Full Compliance with Pesticide Laws

Number of Inspections to Verify Compliance for Organic or Other Crop Production Certification Programs

Percent of School Districts in Compliance with Nutrition Regulations

The Department reported accurate results for these three performance measures. However, these measures were certified with qualification because the Department did not have adequate controls over the entering and subsequent release of ABEST data, as discussed above.

Results: Certified with Qualification

A measure is certified with qualification when controls over reporting are not adequate to ensure continued accuracy.

For Percent of Texas Farmers, Ranchers, and Agribusinesses Inspected Found to Be in Full Compliance with Pesticide Laws, the Department does not have controls to ensure that the data received from the five regions is accurately compiled, calculated, and submitted to financial services, which entered the data into ABEST. There are no written procedures for preparing, analyzing and reviewing the data received from the five regions for accuracy and completeness before it is submitted to financial services. This lack of review could result in inaccurate data being entered into ABEST.

Number of Inspections to Verify Compliance for Organic or Other Crop Production Certification Programs and Percent of School Districts in Compliance with Nutrition Regulations had adequate policies and procedures in place for the compiling and calculating of the data received from the five regions; however, weak controls over the entering and releasing of this data (discussed above) into ABEST resulted in these two measures being certified with qualification.

Recommendations

For the Percent of Texas Farmers, Ranchers, and Agribusinesses Inspected Found to Be in Full Compliance with Pesticide Laws key measure, the Department should implement written procedures for preparing, analyzing and reviewing data received from the five regions. Specifically, these procedures should address:

- Which position receives the regional data.
- What is done with the data.
- Who reviews the data before it is forwarded to financial services for release into ABEST and how that review is documented.

Management's Response

TDA management agrees with the findings and recommendations of the State Auditor's Office. Written procedures are not in place to assure accuracy and completeness for the preparing, analyzing and reviewing of the data received from the five regions.

The Pesticide Division will develop new procedures and modify existing procedures to be explicit in the methodology used to prepare, analyze and review the data for measures, and will specifically incorporate the recommendations contained in the report to definitively identify what position receives the data from the five regions, explain how the data is used, and document by position the responsibility in the review process before the data is forwarded to financial services for release into ABEST.

The procedures will reflect that inspections are conducted by regional field inspectors and the completed inspection reports are enter into the Performing Inspections Enforcement Recruitment (PIER) system. Inspectors upload this information into Bringing Resource Integration and Data together for Greater Efficiency (BRIDGE). Regional chief inspectors review the inspection reports and approve or disapprove the inspection. Regional chief inspectors will be given a deadline each month to approve inspections for the previous month.

Recent enhancements made to Microstrategy will be used to generate monthly totals of inspections by region. The Pesticide Compliance Specialist in Austin will run reports of approved inspections in BRIDGE and send the report to the appropriate regional chief inspector for approval. A written procedure detailing the specific methodology to be used in generating data from Microstrategy, including which filters to apply, will be provided to the regional chief inspectors for use in validating the data.

At the end of each quarter, the pesticide compliance specialist will compile a total of the three months by region, and input the data by region into a quarterly report that will produce a total for each category of inspection. Regional chief inspectors will review the report and respond with approval by e-mail. Once Regional chief inspectors approve, the report will be reviewed by the Coordinator for Pesticide Policy and Compliance. The report will be approved in writing by the pesticide compliance specialist and the coordinator and the report along with back-up documentation will be submitted to the grants and reports specialist for assimilation with all measures. The report will be submitted to the Assistant Commissioner for final review and approval for submission to financial services.

Implementation Date: August 31, 2007

Responsible Person: Assistant Commissioner for Pesticide Program

Percent of Total Weights and Measures Inspections Conducted That Are Found to Be in Full Compliance with State and Federal Standards

Results: Factors Prevent Certification

This designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also is used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

Factors prevented certification of this measure because auditors were unable to confirm the total number of inspections done and extract a sample of inspections to test for accuracy. The automated system that the Department uses to track and report weights and measures inspections allows the chief inspector at the region to change the status of an inspection after data has been submitted to ABEST. Also, the system does not track the date and time that a status change was made. This prevented auditors from being able to compile an accurate list of inspections completed during fiscal year 2006 that matched the total number of inspections used by the Department to calculate the results it submitted to ABEST. Because of this, auditors were unable to determine the accuracy of this performance measure.

Recommendation

The Department should implement procedures or controls to preserve the data used to calculate the performance measure, so that the data can be reviewed or analyzed for accuracy at a later date.

Management's Response

TDA management agrees with the findings and recommendations of the State Auditor's Office. The Department is now capturing detailed inspection data for performance measure supporting documentation, instead of inspection summary numbers. This procedure will preserve the inspection data in a form that will allow for review and analysis at a later date. The Department will also review internal data controls related to changing the status of an inspection after it has been submitted and approved by a Chief Inspector. Adequate controls will be enacted to prevent an impact on performance measure data after it has been submitted to ABEST.

Implementation Date: *Written procedures to implement the collection of detailed inspection data for supporting documentation will be completed by August 31, 2007. A review of internal controls related to changing inspection status and the necessary reports and application controls to enact these changes will be implemented by the end of Q1 of fiscal year 2008.*

Responsible Person: *Assistant Commissioner for Regulatory Programs and Assistant Commissioner for Administrative Services*

Number of Pounds of Fruits, Vegetables, Peanuts and Nuts Inspected (In Billions)

Results: Inaccurate

A measure is inaccurate when reported performance is not within +/-5 percent of actual performance.

The Department reported inaccurate results in ABEST for this performance measure. The Department reported 2.44 billion pounds of fruits, vegetables, peanuts, and nuts inspected. However, auditors determined that the Department's records showed that it inspected 3.04 billion pounds, resulting in a variance greater than 5 percent. The division that oversees this measure submitted accurate raw data to financial services, but financial services incorrectly rounded the number of pounds—566,695,288 was converted to .05 billion pounds, for example—and then entered this incorrect figure into ABEST. This error was undetected because the Department did not have procedures in place to ensure that the data was reviewed before it was released to ABEST.

Recommendations

The Department should establish written policies and procedures to ensure that:

- Data is reviewed and verified before it is submitted to ABEST.
- This review is completed and documented.

Management's Response

TDA management agrees with the findings and recommendations of the State Auditor's Office. As of the third quarter measures for FY 2007, Financial Services has implemented new procedures for reviewing and verifying performance measure data before it is submitted in ABEST. A new transmittal form is completed and signed by the Assistant Commissioner and returned to Financial Services detailing performance measure information.

The performance measure Budget Analyst in Financial Services takes the information from the transmittal form (numbers) and enters this information to an excel spreadsheet on the S:drive. Data on the S:drive can only be modified by Financial Services.

Meetings are held with Executive and the divisions to review the quarterly information. After the revisions have been made, the Deputy Commissioner reviews and approves.

All of the information is entered into ABEST from the S:drive by the Budget Analyst and an ABEST report is printed. A copy of the excel spreadsheet is delivered to the divisions along with a certification of data input. Each Assistant Commissioner must verify that all data input was entered correctly and return this form to Financial Services. The Budget Coordinator in

Financial Services verifies the data entry information in ABEST to the signed certification sheet with the excel spreadsheet attached and then closes ABEST.

Implementation Date: *The new process was implemented for the third quarter, 2007. New policies and procedures will be distributed by August 31, 2007.*

Responsible Person: *Chief Financial Officer*

Appendix

Appendix

Objective, Scope, and Methodology

Objective

The objectives of this audit were to determine whether the Department of Agriculture (Department):

- Accurately reports selected key performance measures to the Automated Budget and Evaluation System of Texas (ABEST).
- Has adequate control systems in place over the collection, calculation, and reporting of selected key performance measures.

Scope

The scope of this audit covered performance measure results the Department reported for fiscal year 2006.

Methodology

Auditors selected five key measures reported in ABEST, audited reported results for accuracy and adherence to measure definitions, evaluated controls over the performance measures certification process and related information systems, and tested original source documentation when possible.

The Department completed questionnaires related to its performance measurement processes to help identify preliminary control information.

Specific tests and procedures included:

- Auditing calculations for accuracy and to ensure that they were consistent with the methodology agreed on by the Department and the Legislative Budget Board.
- Analyzing the flow of data to evaluate the existence of proper controls.
- Testing a sample of source documents to verify the accuracy of reported performance.
- Performing a high-level review of all information systems that support performance measures data.
- Reporting performance measures results in one of four categories: (1) certified, (2) certified with qualification, (3) factors prevent certification, or (4) inaccurate.

Project Information

Audit fieldwork was conducted from May 2007 through June 2007. This audit was conducted in accordance with generally accepted government auditing standards.

The following members of the State Auditor's Office staff performed the audit:

- David E. Dowden (Project Manager)
- Joe K. Fralin, MBA (Assistant Project Manager)
- Michael Gieringer, MBA
- Frank Locklear, CISA (Information Systems Audit Team).
- Leslie Ashton, CPA (Quality Control Reviewer)
- J. Scott Killingsworth, CIA, CGFM (Quality Control Reviewer)
- Michael C. Apperley, CPA (Assistant State Auditor)

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Warren Chisum, House Appropriations Committee
The Honorable Jim Keffer, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Department of Agriculture

The Honorable Todd Staples, Commissioner



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.state.tx.us.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9880 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.