

Resource Guide



The State Auditor's Office

Guide to Performance Measure Management

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Guide to Performance Measure Management

- Provides a high-level overview about the role of performance measures within the State's budget cycle.
- Explains the State Auditor's Office's performance measure audit process and potential certification ratings.
- Discusses the importance of implementing and maintaining effective control systems for the collection, calculation, and reporting of performance measure data.
- Identifies common issues identified on performance measure audits.

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The State Auditor's Office (SAO) *Guide to Performance Measure Management (Guide)* complements existing strategic planning, performance budgeting, and performance monitoring guidance provided by the Office of the Governor, the Legislature, and the Legislative Budget Board (LBB).



THE STATE BUDGET AND PERFORMANCE MEASURES

Performance measures are critical elements of the State's budgeting process, which is a mission- and goal-driven, results-oriented system with three major components: strategic planning, performance budgeting, and performance monitoring. The SAO determines the reliability of selected performance measures reported to the LBB.

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AUDITING PERFORMANCE MEASURES

The SAO conducts audits to certify the accuracy of reported performance measures and assess the effectiveness of performance measurement systems. A performance measure is rated as one of the following:

- Certified.
- Certified with Qualification.
- Inaccurate.
- Factors Prevented Certification.

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COMMON AUDIT ISSUES

The Guide provides a list of common issues and weaknesses auditors have identified in prior audits of state entities' performance measurement systems.

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Figure 1

Certification Categories

	A measure is certified if reported performance is accurate within 5 percent of actual performance and controls to ensure accuracy were identified over the activities for collecting, calculating and reporting performance data.
	A measure is certified with qualification when reported performance is accurate within 5 percent of actual performance but (1) weaknesses were identified with one or more controls over collecting, calculating, and reporting performance measure data and/or (2) the state entity deviated from the measure definition when calculating the results.
	A measure is inaccurate if (1) actual performance is +/- 5 percent or greater than reported performance or (2) when the state entity deviated from the measure definition resulting in actual performance being +/- 5 percent or greater than reported performance or (3) when there is a 5 percent or greater error rate in the accuracy of the sample of documentation tested.
	A factors prevented certification designation is used when either (1) documentation/data is unavailable, (2) controls are not adequate to ensure accuracy, or (3) there is a deviation from the measure definition and results cannot be determined by auditors.

Source: State Auditor’s Office.

Introduction

A good performance measurement system should provide information that is meaningful and useful to decision-makers.

The State Auditor's Office (SAO) assesses the reliability of reported performance measures, including the processes used to calculate them, so the Governor and Legislature can determine the extent they can rely on the reported performance measures when making decisions or evaluating state agencies and institutions of higher education (state entities). Figure 2 lists the characteristics of a good performance measurement system.

Figure 2

An effective measurement system should satisfy the following criteria:



Results Oriented: focuses primarily on outcomes and outputs.



Selective: concentrates on the most important indicators of performance.



Useful: provides information of value to the state entity and decision-makers.



Accessible: provides periodic information about results.







Reliable: provides accurate, consistent information over time.

To implement an effective performance measurement system, state entities should develop appropriate measures. Figure 3 on the next page presents the four types of measures:

Figure 3

Types of Performance Measures^a

	<u>Outcome Measure</u> : Quantifiable result measuring how the public benefits by the state entity meeting the objective.
	<u>Output Measure</u> : Quantity of state entity workload and work project as it pursues its strategies.
	<u>Efficiency Measure</u> : State entity workload unit costs or time for completion.
	<u>Explanatory Measure</u> : External factors relating to state entity operations.

^a See Appendix 1 for more information about each type of performance measure.

Source: Legislative Budget Board's Instructions for Preparing and Submitting Agency Strategic Plans, February 2022.

State entities should implement and maintain effective controls over performance measurement systems.

All processes that support a performance measurement system should have effective controls to provide reasonable assurance that the information is properly collected and accurately reported. An effective performance measurement system contains checks and balances to ensure the integrity and accuracy of the information produced. A state entity should design a performance measurement system at the time the performance measures are developed and periodically review that system to verify proper implementation.

Reliable performance measurement systems are dependent on manual and automated processes with strong control systems to deliver useful information to management and decision-makers. The control systems that state entities develop should involve three major types of activities:

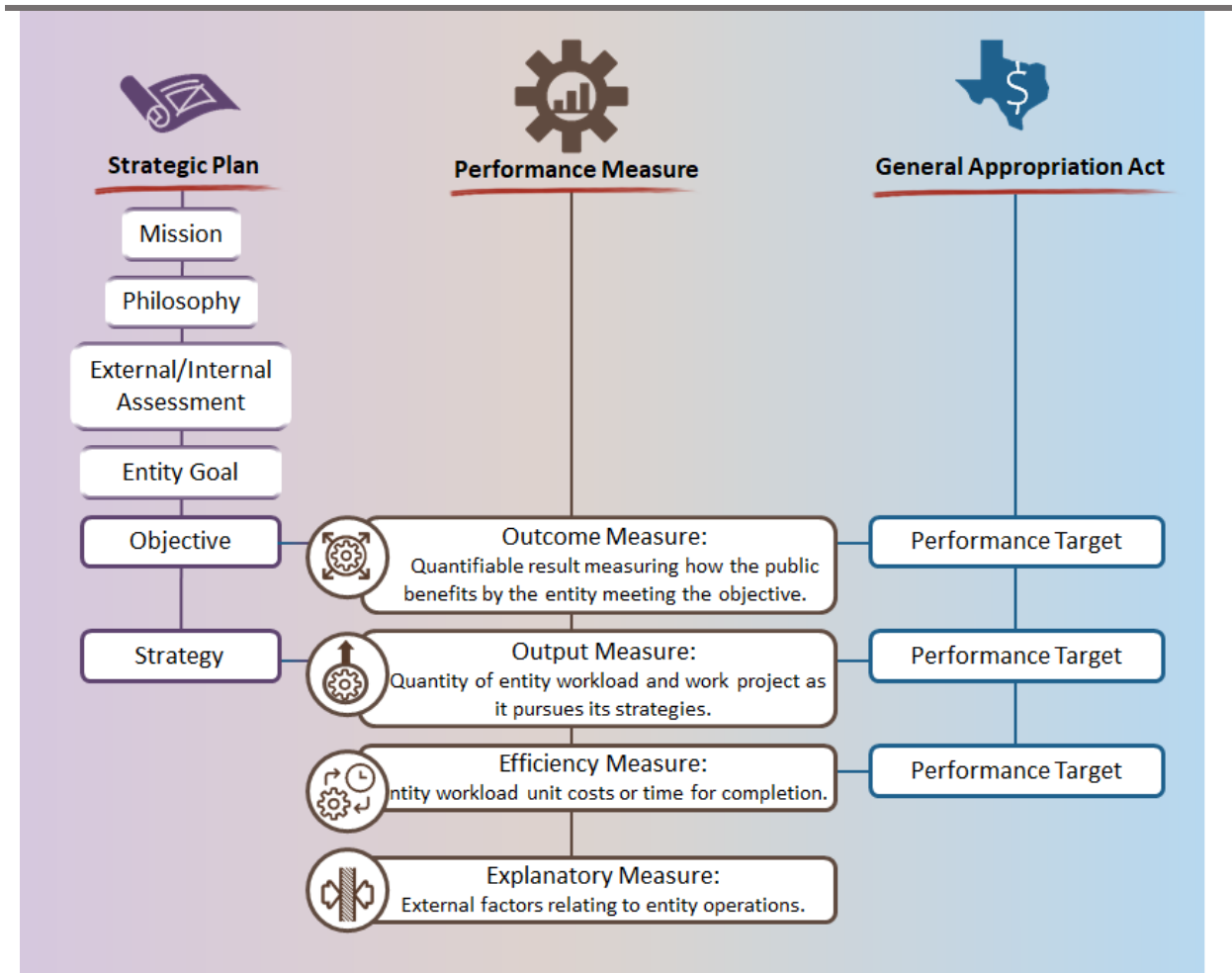
- **Input controls.** Activities performed to provide reasonable assurance that data introduced into the performance measurement system is accurate.
- **Processing controls.** Activities performed to (1) provide reasonable assurance that the performance measurement system uses the appropriate information and (2) follow procedures established for gathering data, calculating each measure, and providing explanations on variances that may occur between actual and targeted results.
- **Review controls.** Activities performed to verify that required processes were completed and performance measure data was correctly calculated and accurately reported to the Automated Budget and Evaluation System of Texas (ABEST) and management.

Performance measures are critical elements of the State’s budget cycle.

The State’s budget cycle is a mission- and goal-driven, results-oriented system that combines **strategic planning**, **performance budgeting**, and **performance monitoring** into the State’s appropriations process. Figure 4 is the framework of the Strategic Planning and Budgeting System as defined by the Legislative Budget Board (LBB).

Figure 4

Strategic Planning and Budgeting System



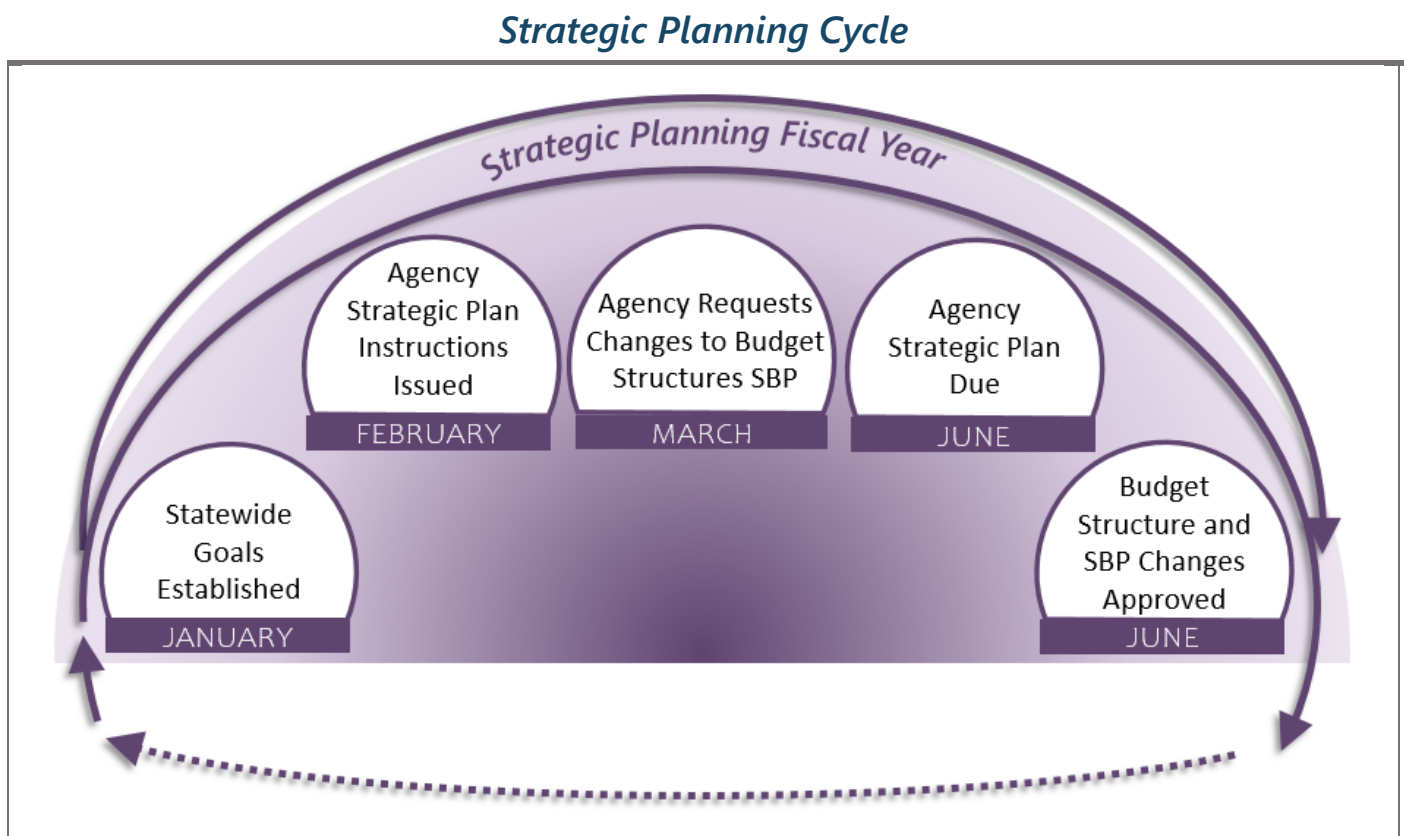
Source: Legislative Budget Board’s *Instructions for Preparing and Submitting Agency Strategic Plans*, February 2022.

Many of the components of the Strategic Planning and Budgeting System are interrelated and involve performance measures as a critical element of the various planning and budgeting activities performed. Those are discussed in further detail below.



Strategic Planning. As required by statute, a state entity develop a five-year plan that includes a mission statement, entity goals, entity plans to achieve its goals, and performance measures used to assess the entity’s success in achieving those goals. Figure 5 shows the LBB’s strategic planning cycle for the development and approval of a state entity’s state budget by program (SBP).

Figure 5



Source: The Legislative Budget Board’s Strategic Planning, Performance Budgeting, and Performance Monitoring System Two-Year Cycle.

The Governor’s Office of Budget and Policy and the LBB issue instructions¹ for developing strategic plans. Those instructions require that a performance measure’s definition include an explanation of the measure and the methodology for its calculation. The definition must contain enough pertinent

¹ The Governor’s Office of Budget and Policy Division and the LBB issued *Instructions for Preparing and Submitting Agency Strategic Plans*, dated February 2022.

information to be clearly understood and the description of its calculation be detailed enough to allow replication.

State entities must review and/or modify performance measure definitions and descriptions in ABEST in accordance with LBB guidelines.²



Performance Budgeting: During the performance budget development phase, state entities prepare their Legislative Appropriations Request (LAR) in accordance with instructions from the Governor’s Office of Budget and Policy and the LBB.³ LARs include requested dollar amounts and descriptions of the goals, objectives, and strategies to be addressed by the requested funding. In addition, entities include performance information for all performance measures.⁴

Based on the LARs, the LBB drafts a General Appropriations Act bill that contains recommended appropriation amounts and performance measures with corresponding performance targets. During the legislative session, the Legislature will pass a final version of the General Appropriations Act bill. The Office of the Comptroller of Public Accounts will certify the bill and then it is signed by the Governor for adoption. The LBB and the SAO are responsible for monitoring state entities’ compliance with the budgeted appropriations and performance targets in the adopted General Appropriations Act.⁵

Figure 6 and Figure 7 on the following pages present an overview of the state budget cycle by even-numbered fiscal year and odd-numbered fiscal year, respectively.

² The LBB issued *ABEST Instructions for Finalizing Budget Structures and Defining Measures*, dated February 2022.

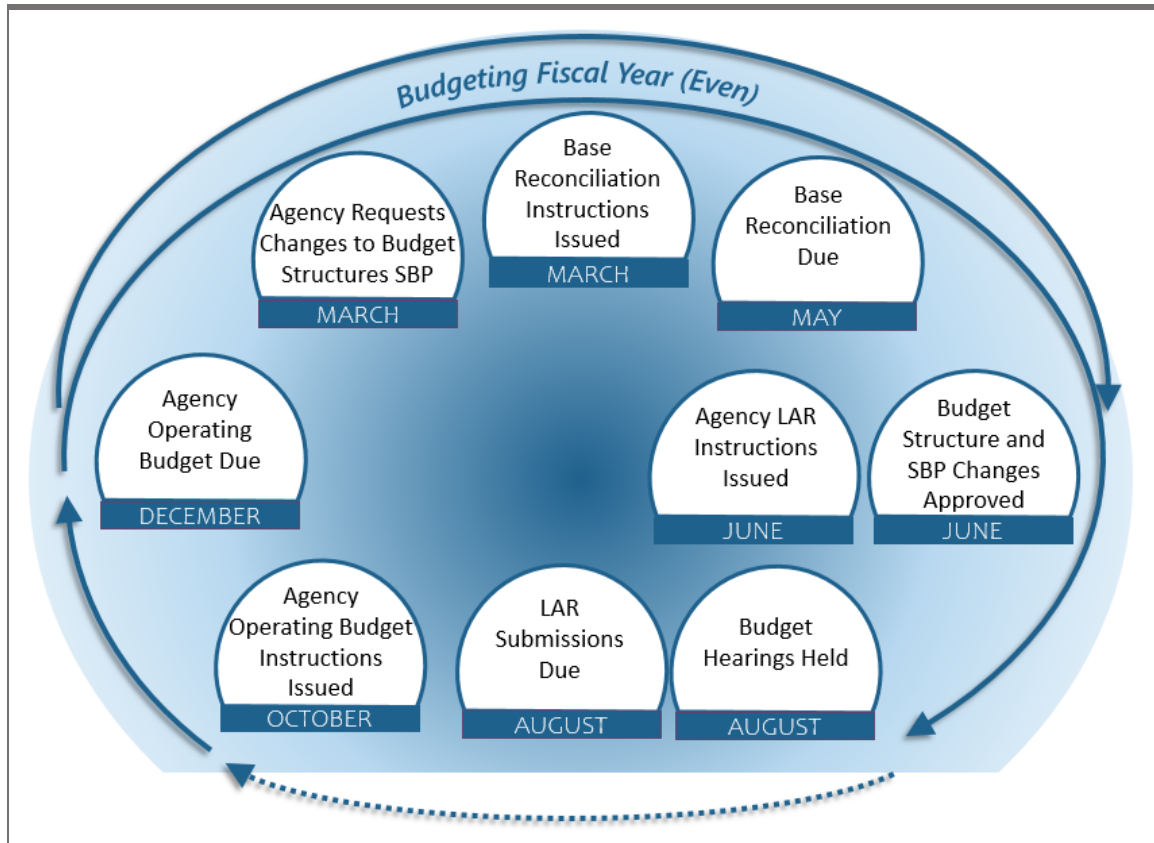
³ The LBB and the Governor’s Office of Budget and Policy Division issued *2024-25 Legislative Appropriations Request: Detailed Instructions for Agencies for the Biennium Beginning September 1, 2023*, dated June 2022.

⁴ The LBB provides guidance on entering LAR information and related performance measure values into ABEST. The LBB issued *ABEST Instructions for Legislative Appropriations Request 2024-2025 Biennium*, dated June 2022.

⁵ Additional budget cycle information is available in the budget overview released by the Senate Research Center. See *Budget 101: A Guide to the Budget Process in Texas* issued by the Senate Research Center in January 2021 in coordination with the LBB and the Office of the Comptroller of Public Accounts.

Figure 6

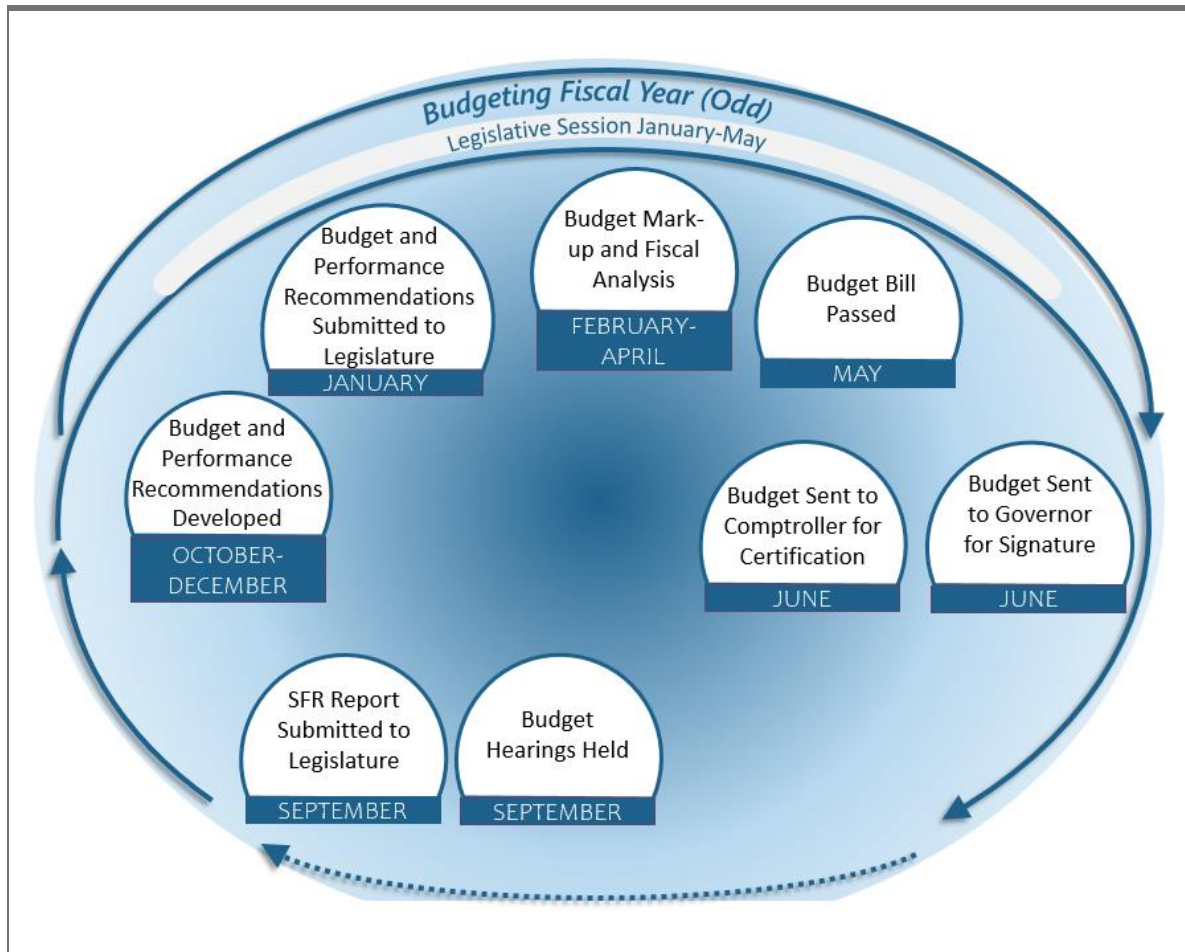
State Budgeting Cycle (Even Fiscal Year)



Source: The LBB’s Strategic Planning, Performance Budgeting, and Performance Monitoring System Two-Year Cycle.

Figure 7

State Budgeting Cycle (Odd Fiscal Year)



Source: The Legislative Budget Board’s Strategic Planning, Performance Budgeting, and Performance Monitoring System Two-Year Cycle.



Performance Monitoring. State entities will report quarterly and annual information on the actual performance for key measures into ABEST, which the LBB uses to monitor performance measures (see text box for more information on the reporting process to the LBB). Entities are required to provide explanations for variances of 5 percent or more from a performance target into ABEST.⁶

The SAO audits performance measures reported into ABEST to determine whether entities:

- Report accurate performance measures results to ABEST, and
- Have adequate controls over the collection, calculation, and reporting of its performance measures.

Figure 8 on the next page shows the performance measure reporting cycle.

Performance Measure Reporting

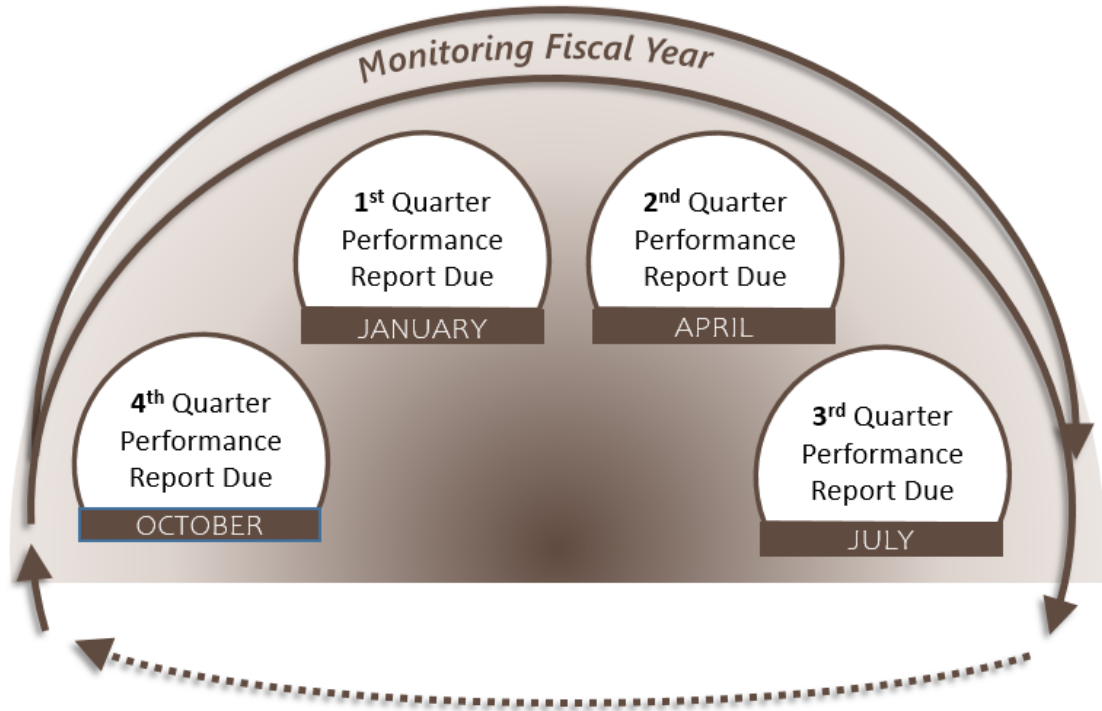
State agencies report actual performance data on an annual basis for key outcome and explanatory measures and on a quarterly basis for key output and efficiency measures. According to LBB's reporting schedules, state agencies' quarterly performance measures are due in January, April, July, and October for the first, second, third, and fourth quarters, respectively.

Higher education institutions report actual performance data to ABEST in the fall (November) and spring (April). Health-related higher education institutions report performance data only in the spring.

⁶ The LBB provides additional guidance for reporting performance measures on the LBB website. The LBB issued *Performance Measure Reporting in ABEST Instructions for State Agencies*, dated August 2021 and *Performance Measure Reporting in ABEST Instructions for Institutions of Higher Education*, dated November 2021.

Figure 8

Performance Measure Reporting Cycle



Source: The LBB's Strategic Planning, Performance Budgeting, and Performance Monitoring System Two-Year Cycle as of September 2019.

The SAO issues reports to the Governor and the Legislature that are available to the public on the SAO website at [Audits of Performance Measures](#).



The State Auditor’s Office conducts audits to certify the accuracy of performance measures and assess the effectiveness of performance measurement systems.

The State Auditor’s Office (SAO) certifies the accuracy of the performance measures reported to the Legislative Budget Board (LBB) by verifying that those measures are accurate and by determining whether the performance measurement system(s) used have adequate controls in place to ensure continued accuracy. Adequate controls over the collection, calculation, and reporting of performance measure data increase the probability that reported measures will continue to be accurate over time.

What does a SAO audit of performance measures involve?

The SAO selects a state entity to audit based on a risk assessment process that considers multiple factors. Once selected, the SAO audits the entity’s performance measurement system to determine the certification rating for the performance measures selected. A performance measures audit will determine whether an entity:

- Accurately reports its performance measures to ABEST.
- Has adequate controls over the collection, calculation, and reporting of its measures.

Auditors will perform the following audit procedures (the procedures listed may be performed in an order different from the way they are shown below):



SELECT PERFORMANCE MEASURES TO AUDIT

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GAIN AN UNDERSTANDING

of the method(s) used to collect, calculate, and report performance measure results.

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DETERMINE WHETHER ADEQUATE CONTROLS EXIST

over the performance measurement system to ensure consistent reporting of reliable information.

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TEST A SAMPLE OF RECORDS

to assess the effectiveness of controls that ensure the accuracy of documentation/data used to calculate and report measures.

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RECALCULATE MEASURES

to determine (a) whether the agency followed the measure definition and (b) whether adequate documentation/data and other corroborative evidence is available to support the measure reported into ABEST.

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DETERMINE THE CERTIFICATION RATING FOR THE MEASURES SELECTED

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Selecting the Measures to Audit

The performance measures considered for audit are selected primarily from a state entity's key measures listed in the General Appropriations Act.

Auditors may also review non-key measures if those measures are determined to be important in monitoring the success of key strategies. Auditors may also consider the rating (i.e., high, medium, or low) that the state entity assigned to a measure in ABEST. The performance measures selected may include a combination of the four measure types: Outcome, Output, Efficiency, and Explanatory.

What Are Key Performance Measures?

Key performance measures are:

- Budget drivers that are generally externally focused.
- Closely related to the goals identified in the statewide strategic plan.
- Reflective of the characteristics of good performance measures.



Understanding the Performance Measurement System

Auditors will gain an understanding of the performance measurement system used to collect, calculate, and report measures.

Auditors will (1) review a state entity's policies and procedures and (2) conduct interviews with entity management and staff to understand the performance measure process.

Procedures should be adequately documented and be consistent with the measure methodology in ABEST.

A state entity should clearly describe all procedures performed in the collection, calculation, review, and reporting of the performance measure data in its written policies and procedures.



Management Tips

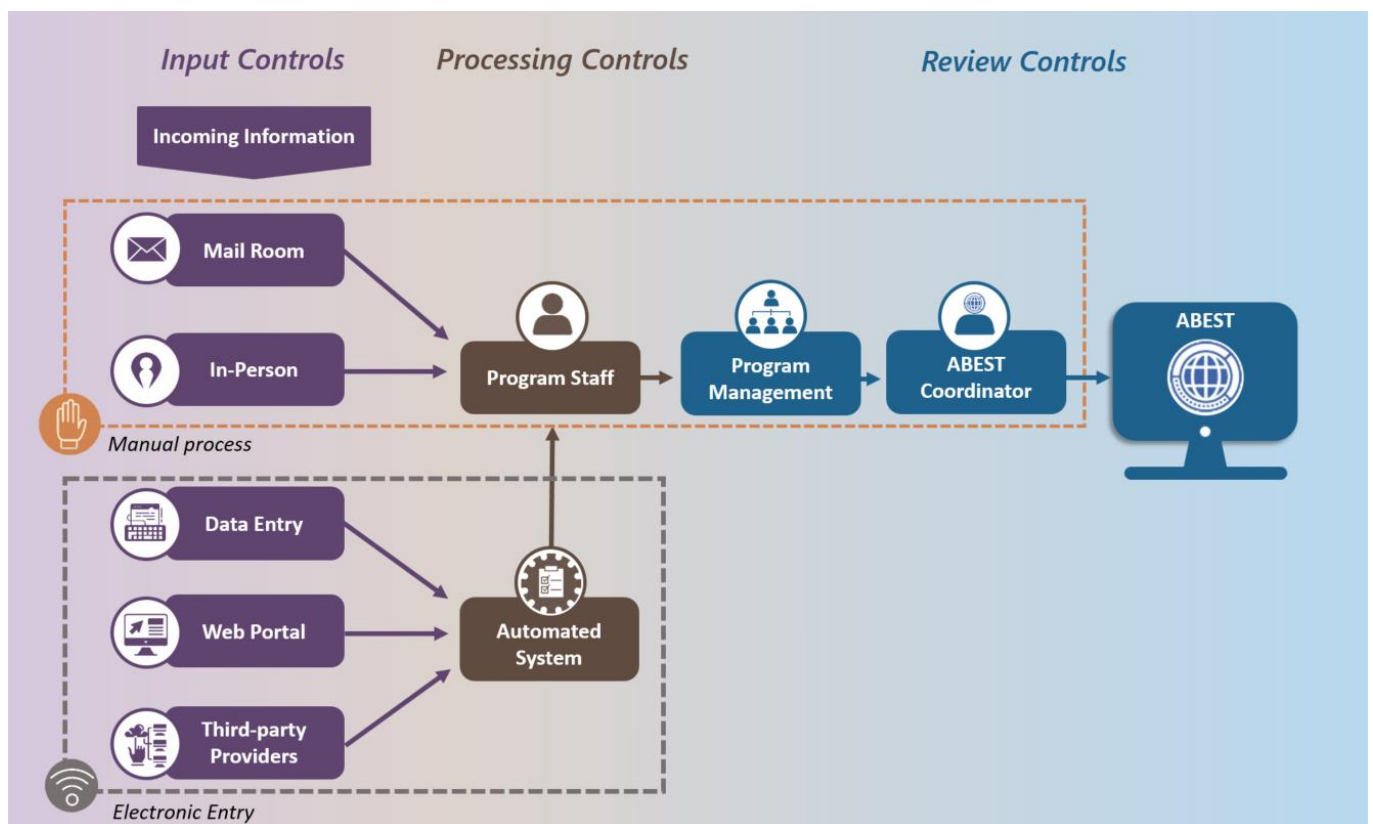
- Keep all calculation documents, including the detail that supports the calculation.
- Review all calculations for mathematical errors.
- Maintain hard copy or electronic documentation for all reviews performed.

Evaluating the Performance Measurement System

Auditors will determine whether adequate controls exist over a state entity’s performance measurement system to ensure consistent and reliable reporting of performance measure results.

Figure 9 provides a model of the types of controls that should be in a performance measurement system.

Figure 9



The controls that auditors review will include those starting with the state entity's receipt of information through the submission of the measure result into ABEST. Auditors may need source documents, datasets from automated systems, or other corroborating evidence to determine whether controls are working as intended.

Listed below are examples of controls that auditors may examine to determine whether adequate controls exist. The examples described are commonly found in an entity's performance measurement system. Please note that the examples are not an exhaustive list. Each entity and its performance measurement system is different and may need more, fewer, or different controls to be effective.

Examples of Input Controls

- Procedures for (1) receiving information such as applications, forms, and complaints and (2) data entry into automated systems.
- Use of mail logs and/or date stamps to track the initial receipt of hard-copy documents.
- Routine and documented reviews by staff and/or management that verify (1) the completion of manual processes and (2) the accuracy and completeness of information entered into automated systems via data entry and web portals.

Examples of Processing Controls

- Procedures for collecting, including extracting data, and calculating the performance measure results and the training provided to applicable staff about these procedures.
- Ensuring that the staff responsible for calculating the performance measure results understand the source of the information and are aware of issues that may affect the accuracy of the information.

Examples of Review Controls

- Procedures for reviewing and approving performance measure results.
- Management reviews of measure calculations and supporting documentation before providing that information to the ABEST coordinator.

- Establishing procedures requiring someone other than the ABEST coordinator to review the performance measure results entered into ABEST before final submission.

Auditors may review the security and processing controls over the automated systems that support the performance measurement system.

An automated system should have controls that help to ensure the integrity, reliability, and security of the data that is processed. Auditors may examine the controls over an automated system discussed below.

Access Controls

To evaluate these controls, auditors may verify that:

- Procedures exist for administering (granting, modifying and removing) access to automated systems.
- Accounts belong to current employees and contractors.
- Accounts have the appropriate access rights and permissions.
- Account password and lockout requirements comply with the state entity's security standards.
- A state entity has defined and implemented separation of duties within its systems (for example, the same account cannot enter and approve its own transactions).
- A state entity performs regular periodic review of accounts (for example, a documented verification of who has access, their levels of access, and whether other applicable data access controls are still in place for each user account).

Change Management

Auditors may evaluate the controls over the procedures for managing configuration and programming changes to an automated system that may affect how data is processed and reported. A state entity should have procedures in place to ensure that programming changes to automated systems are appropriately documented, authorized, tested, and approved prior

to implementation. Additionally, those procedures should ensure a separation of duties between the staff developing changes and the staff moving changes from testing to production.

Application Controls

Auditors may evaluate whether a state entity's activities are sufficient to ensure the validity, completeness, and accuracy of transactions and data during application processing. These may include application controls over data input, data processing, data output, master files, interfaces, and data management. Auditors may review the following types of application controls:

- Edit checks – controls that help ensure the integrity of data entered into an automated system.
- Completeness checks - controls that help ensure all records are processed from initiation to completion.
- Exception handling- controls that detect and report errors that may occur when data is processed.

Please note that the controls listed above are not exhaustive. Each state entity and its performance measurement system is different and may need more, fewer, or different controls over its automated systems to be effective.

Third-party Vendor Software

State entities may contract with third-party vendors (vendor) to use the vendor owned and operated automated systems that are accessed remotely over the Internet (referred to as software as a service (SaaS)⁷. Those vendors generally obtain independent audits of their SaaS based systems that examine the design



Management Tips

The following offers information that can assist with developing and improving controls over an automated system:

- Texas Administrative Code, Title 1, Chapter 202.
- The Department of Information Resources' *Security Controls Standards Catalog*.
- The Information Systems Audit and Control Association at www.isaca.org.
- [The Center for Internet Security Benchmarks](http://www.cissecurity.org) at www.cissecurity.org.

⁷ Software as a Service (SaaS) is an internet-based computing service in which the vendor delivers one or more applications and all the resources (such as an operating system and programming tools) and underlying infrastructure, which the entity can use on demand. (*Cloud Computing Security*, Government Accountability Office, Report Number GAO-20-126, December 2019.)

and operating effectiveness of certain controls in place over that system to help provide assurances about its product to its customers. Auditors may use the independent audit reports to help confirm whether a SaaS based performance measurement system has controls in place to help ensure the integrity, reliability, and security of the data.



Testing the Performance Measurement System

Auditors will assess the accuracy of certain information that is significant to the measure tested.

Auditors will request a list of all records/data (population) related to the audited performance measure. A state entity should be capable of producing the population for the current and prior reporting periods for the measure tested. It also should ensure that there is a traceable link between the measure tested and the population that allows auditors to determine the accuracy and completeness (data reliability) of the population.

Once auditors determine the data reliability of the population, auditors will select a sample of records from the population to test. The sample size will be dependent on (1) the size of the population and (2) the adequacy of the relevant controls over the performance measurement system as determined by auditors.

Auditors will request documentation/data that supports the information tested for each sample item (see text box for information on auditors' access to documentation/data). Auditors will use the following criteria to determine the adequacy of the controls during testing:

- If an error rate of *less* than 5 percent is determined during testing, the controls tested are adequate to ensure that a state entity used accurate information to calculate performance measure results.
- If the error rate is 5 percent or greater, controls are inadequate for ensuring the accuracy of the information used to calculate performance measure results.

Documentation

Documentation kept in remote locations, in field offices, or maintained by a third party must be available for review. This may require having documents shipped to a specified location, having documents emailed to auditors, providing imaged files for review, or auditors visiting the location where the documents are available.

The SAO has statutory authority to access all information necessary to complete an audit, including confidential information. Any information obtained during an audit is part of the SAO's audit working papers, which are not subject to disclosure under the Public Information Act.

Sources: Texas Government Code, Sections 321.013(e) and 552.116.



Recalculating Results

Auditors will determine whether the selected measures were calculated using the measure definition described in ABEST.

Auditors will request the documentation/data that **support** the measure results that the ABEST coordinator entered into ABEST. The documentation/data provided should support the final calculations used to determine the performance measure results reported into ABEST.

Examples of this type of documentation/data includes:

- Reports generated by an automated system, including the programming queries used to calculate performance measure results.
- Archived reports produced on the reporting date that show the calculation of performance measures.
- Quarterly documentation or reports.
- Electronic spreadsheets.
- Hard copy worksheets.
- Data extracted from automated systems for the applicable reporting period.

If the measures tested rely on data that will be subsequently overwritten in an automated system, a state entity should either (1) maintain copies of the data, including the reported results, for the reporting period or (2) archive the data before overwriting it. The documentation of the reported results and archived data should be available for auditors to access and review. The *Texas State*



Management Tips

- Develop performance measure definitions that are clear, specific, and not open to interpretation.
- Review definitions to verify they are consistent with measure names.
- Train personnel to calculate the measures according to the measure definitions.
- Document policies and procedures and ensure that measure definitions are detailed enough to recreate the measure results.

If necessary, consult with the Legislative Budget Board.

Records Retention Schedule requires state entities to retain performance measure documentation for the fiscal year end plus three years⁸.

If a state entity updates performance measure results in ABEST, documentation/data should be available for both the original and updated performance measure results reported.

Using the documentation that supports the results reported into ABEST, auditors will recalculate the performance measure result. A measure is considered accurate if the difference between the reported result in ABEST and the re-calculation is less than +/-5 percent **and** the performance measure definition was followed for calculating the measure.



Management Tips

- Keep documentation that supports the results reported into ABEST.
- Verify that the numbers in the documentation are the same as the numbers reported to ABEST.
- Communicate to staff the importance of providing information accurately and consistently over time.
- Designate specific cut-off times for reporting.
- Pay special attention to continuity of data collection and calculation during personnel changes.





⁸ For more information, see Texas Administrative Code, Title 13, Section 6.10 (a), and *Texas State Records Retention Schedule*, 5th Edition, 1st Revision, effective July 18, 2022.

Determining the Certification Rating

Auditors will use the results of the audit procedures described to determine the certification rating for the measure(s) tested. Figure 10 shows the four types of ratings auditors may assign to a measure.

Figure 10

Certification Categories

	A measure is certified if reported performance is accurate within 5 percent of actual performance and controls to ensure accuracy were identified over the activities for collecting, calculating and reporting performance data.
	A measure is certified with qualification when reported performance is accurate within 5 percent of actual performance but (1) weaknesses were identified with one or more controls over collecting, calculating, and reporting performance measure data and/or (2) the state entity deviated from the measure definition when calculating the results.
	A measure is inaccurate if (1) actual performance is +/- 5 percent or greater than reported performance or (2) when the state entity deviated from the measure definition resulting in actual performance being +/- 5 percent or greater than reported performance or (3) when there is a 5 percent or greater error rate in the accuracy of the sample of documentation tested.
	A factors prevented certification designation is used when either (1) documentation/data is unavailable, (2) controls are not adequate to ensure accuracy, or (3) there is a deviation from the measure definition and results cannot be determined by auditors.

Source: State Auditor's Office.

Auditors assign ratings based on a combination of the audit results that determined:

- The accuracy of the results reported,
- The existence of controls over the performance measurement system, and
- The effectiveness of the controls tested.

See the [Common Issues Identified](#) section for examples of the common control weaknesses and other issues that auditors have identified that may result in a performance measure receiving a certification rating other than "Certified."

The certification ratings are published in an audit report that is provided to the Office of the Governor, the Legislature, and made publicly available on the

SAO's website. The audit report includes (1) an overview that summarizes the audit results and (2) detailed results that includes a table that summarizes the certification rating for the measures tested. The table shows the measure name, fiscal year, the results reported into ABEST, and the certification rating. The detailed results also provides the findings, auditor recommendations, and management's responses to the recommendations reported.



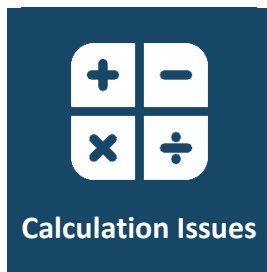
Figure 11 describes the common types of issues and control weaknesses that SAO auditors have identified during audits of state entities' performance measurement systems, including the processes for collecting, calculating, and reporting performance measure results.

Figure 11

Issues Identified



- Documentation that supports the results reported in ABEST was not maintained.
- Data to determine performance measure results was unreliable; auditors could not determine the completeness of the data.
- Third-party information was incomplete.



- Queries used to extract data were incorrect or auditors were unable to recreate the performance measure calculation.
- Performance measure calculation did not follow the measure definition.
- Documentation that supported the results reported into ABEST contained errors or misclassified information.



- Data was inaccurately entered into ABEST.
- Performance measure results were reported for the wrong reporting period.
- Quarterly results were not reported as required.

Issues Identified



Control Weaknesses

- Lack of adequate procedures for collecting, calculating, and/or reporting of performance measure results.
- Lack of separation of duties and independent reviews over the collection, calculation, and reporting of performance measures prior to data entry and submission into ABEST.
- Lack of procedures for managing key controls over automated system processes, such as procedures for user access and change management.
- Historical data (used for performance measure calculation) was not maintained in an accessible and usable format.
- Access to the automated system was not restricted.

Appendix 1

Glossary of Terms Related to Performance Measure Audits

Figure 12

Glossary of Terms

Term	Definition
ABEST	The Automated Budget and Evaluation System of Texas. The system contains data on performance measures, including measure definition, classification (output, outcome, etc.), targeted and actual performance, and explanation of variances of 5 percent or more between targeted and actual performance. Most performance data is entered by state entities directly into ABEST.
Accuracy	The extent to which recorded data reflect the actual underlying information.
Completeness	The extent to which relevant records are present and the fields in each record are populated appropriately.
Control System	All procedures developed by state entities to help ensure the accuracy of reported data, including input controls, process controls, and review controls.
Data Reliability	The extent to which data is accurate and complete with regard to its intended use.
Efficiency Measure	A quantified indicator of productivity expressed in unit costs, units of time, or other ratio-based unit.
Explanatory Measure	An indicator of factors, resources, or requests received that affect or explains a state entity's performance.
Input Controls	Processes developed by a state entity to provide reasonable assurance that the data introduced into the performance measurement system is accurate.

Glossary of Terms

Term	Definition
Key Performance Measure	Performance measures that serve as budget drivers and are included in the General Appropriations Act.
Outcome Measure	A quantifiable indicator of the public or customer benefits from a state entity’s actions.
Output Measure	A quantifiable indicator of goods or services that a state entity produces.
Performance Measure	A quantifiable indicator of state entity achievement that includes the specific types: outcome, output, efficiency, and explanatory/input.
Performance Measure Definition	A description of a performance measure that includes (1) what the measure is intended to indicate and why this is significant, (2) where the data comes from and how it is collected, (3) how the measure is calculated, (4) any limitations about the data, and (5) whether the data is cumulative or non-cumulative.
Performance Target	Annual performance goals for key performance measures that are included in the General Appropriations Act.
Performance Variance	The difference between a state entity’s actual performance during a time period and the performance targeted for that measure by the General Appropriations Act.
Processing Controls	Mechanisms developed by a state entity to provide reasonable assurance that its performance measurement system uses the appropriate information and follows procedures established for calculation of each measure.
Review Controls	Procedures developed by a state entity to verify that an activity occurred to provide reasonable assurance that accurate data is reported.
Strategic Planning	A long-term, iterative, and future-oriented process of gathering information, setting goals, determining priorities, and making decisions.
Strategic Planning and Budgeting System	A goal-driven, results-oriented system in which funding and other decisions are based on what an organization is accomplishing.
Strategy	Used as appropriation items for budgeting. Also a method by which a state entity seeks to accomplish its goals and objectives.

Glossary of Terms

Term	Definition
Target	An expected level of performance established for a particular performance measure by the Legislature in the General Appropriations Act.

Appendix 2

Statutory Requirements Related to Performance Measures

The Legislature has adopted statutory requirements related to state entities' performance measures in the Texas Government Code and the General Appropriations Act (87th Legislature).

Texas Government Code, Section 2101.038

Duties of the State Auditor. The State Auditor, when reviewing the operation of a state agency, shall audit for compliance with the uniform statewide accounting system, the comptroller's rules, and the Legislative Budget Board's performance and workload measures ... The state auditor shall notify the comptroller, the governor, the lieutenant governor, the speaker of the house of representatives, and the Legislative Budget Board as soon as practicable when a state agency is not in compliance.

Article IX of the General Appropriations Act (87th Legislature)

Sec. 6.13. Performance Standards, page IX-33

(a) It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of each state agency and institution. In order to achieve the objectives and service standards established by this Act, agencies and institutions shall make every effort to attain the designated key performance target levels associated with each item of appropriation.

(b) To support and encourage the achievement and maintenance of these appropriated annual performance levels, continued expenditure of any

appropriations in this Act shall be contingent upon compliance with the following provisions:

(1) Agencies and institutions, in coordination with the Legislative Budget Board, shall establish performance milestones for achieving targets within each annual budget and performance period; time frames for these milestones and the related performance reporting schedule shall be under guidelines developed and maintained by the Legislative Budget Board.

(2) Agencies and institutions shall provide testimony as to the reasons for any performance variances to the Senate Finance Committee and the House Appropriations Committee, as determined to be necessary by those committees; assessments of agency and institution performance shall be provided to the committees under guidelines and procedures developed and maintained by the Legislative Budget Board.

Sec. 7.01 Budgeting and Reporting, page IX-35

(a) As a limitation and restriction upon appropriations made by this Act, agencies and institutions of higher education appropriated funds by this Act may expend appropriated funds only if there is compliance with the following provisions:

(3) Under guidelines developed by the Legislative Budget Board, each agency shall file a report with the Legislative Budget Board, the Governor, the Legislative Reference Library, the state publications clearinghouse of the Texas State Library, State Auditor's Office, and the appropriate substantive committees of the House and Senate. The report shall analyze the agency's performance relative to the attainment of stated outcome, output and efficiency targets of each funded goal and strategy. The report shall be submitted at such intervals required by the Legislative Budget Board. The report shall contain a comparison of actual performance for the reporting period with targeted performance based on the level of funding appropriated. In developing guidelines for the submission of agency performance reports, the Legislative Budget Board (in consultation with the Governor) shall:

(A) specify the measures to be reported including the key performance measures established in this Act;

(B) approve the definitions of measures reported; and

(C) establish standards for and the reporting of variances between actual and targeted performance levels.

(4) The Legislative Budget Board (in consultation with the Governor) may adjust projected performance target levels, develop new measures, modify or omit existing measures and measure definitions, and/or transfer measures between agencies, goals or strategies to reflect appropriation changes made by riders or other legislation subsequent to passage of this Act, invocation of budget execution authority by the Governor and the Legislative Budget Board, or as unforeseen circumstances may warrant during the biennium.



Copies of this Guide have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Legislative Budget Board

Mr. Jerry McGinty, Director



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