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An Audit Report on

Performance Measures at the Commission on the Arts

October 2013

Report No. 14-006

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Overall Conclusion

The Commission on the Arts (Commission) reported reliable results for all three key performance measures tested for fiscal year 2012 and the first two quarters of fiscal year 2013. A result is considered reliable if it is certified or certified with qualification.

The following three key performance measures were certified with qualification for fiscal year 2012 and the first two quarters of fiscal year 2013:

- Percentage of Grants Funded That Are for Arts Education.¹
- Average Grant Amount Requested for Arts Education.¹
- Average Grant Amount Awarded to Arts and Cultural Organizations.

While the Commission accurately reported the results for all three performance measures, the Commission should improve controls over its performance measure processes and information systems to help ensure continued accuracy. The Commission should document its policies and procedures for collecting, calculating, and reviewing performance measure information. Additionally, the Commission should perform documented reviews of the calculation results and perform documented reviews of performance measure data prior to releasing results into the Automated Budget and Evaluation System of Texas (ABEST).

Table 1 on the next page summarizes the certification results for the three key performance measures tested.

Background Information

The mission of the Commission on the Arts (Commission) is to advance the state economically and culturally by investing in a creative Texas. The main functions of the Commission include:

- Investing funds in the form of grants to cultural, educational, artistic, and civic organizations.
- Promoting the arts in all disciplines.

The Commission's total appropriations were \$3.9 million for fiscal year 2012 and \$3.9 for fiscal year 2013.

Sources: The Commission's *Strategic Plan for Fiscal Years 2014 - 2017* and the General Appropriations Act (82nd Legislature).

¹ The Commission reported this performance measure in the Automated Budget and Evaluation System of Texas (ABEST) on an annual basis; therefore, auditors did not test this performance measure for the first two quarters of fiscal year 2013.

Table 1

Commission on the Arts (Agency No. 813)				
Related Objective or Strategy, Classification	Description of Performance Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a
A., Outcome	Percentage of Grants Funded That Are for Arts Education	2012	33%	Certified with Qualification
A.1.2, Explanatory	Average Grant Amount Requested for Arts Education	2012	\$14,648	Certified with Qualification
A.1.1, Efficiency	Average Grant Amount Awarded to Arts and Cultural Organizations	2012	\$2,921	Certified with Qualification
		2013 - First Two Quarters	\$5,551	Certified with Qualification

^a Auditors perform several steps in the certification process for performance measures, including determining the correct results based on data or other information provided by the audited agency. Based on the results of that process, performance measures are designated as either "certified," "certified with qualification," "inaccurate," or "factors prevented certification." Specifically:

- A performance measure is **Certified** if reported performance is accurate within plus or minus 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.
- A performance 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. A performance measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure is also certified with qualification if agency calculation of performance deviated from the performance measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.
- A performance measure is **Inaccurate** when the actual performance is not within 5 percent of reported performance, or when there is more than a 5 percent error in the sample of documentation tested. A performance measure is also inaccurate if the agency's calculation deviated from the performance measure definition and caused more than a 5 percent difference between the number reported to ABEST and the correct performance measure result.
- A **Factors Prevented Certification** designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the performance measure definition and the auditor cannot determine the correct performance measure result.

Summary of Management's Response

The Commission concurs with the audit findings and recommendations in this report. The Commission's detailed management responses are presented immediately following each set of recommendations in the Detailed Results section of this report.

Summary of Information Technology Review

The Commission's servers, on which its performance measure data is maintained, and other equipment are located in the Department of Licensing and Regulation's data center. Commission staff manage the Commission's network directory, servers, and Web site, while a contracted vendor develops and maintains the Commission's grant management system.

Auditors assessed the controls over the Commission's grant management system and the automated processes used for the Commission's performance measure data. Auditors evaluated general information technology controls, including logical access controls, program change management, and physical security processes. Auditors also reviewed application data input controls. In addition, auditors reviewed data Commission staff provided for completeness and interviewed personnel knowledgeable about the systems used for the Commission's performance measure calculations.

Auditors determined that the data in the grant management system used for the Commission's performance measure calculations was sufficiently reliable for the purposes of this audit for all three performance measures tested. However, auditors identified some control weaknesses over the Commission's information technology resources that could increase the risk that the Commission could report inaccurate performance measure results in the future. Auditors identified weaknesses in access and disaster recovery controls over key information technology systems.

Summary of Objectives, Scope, and Methodology

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

- Is accurately reporting its performance measures to ABEST.
- Has adequate controls in place over the collection, calculation, and reporting of its performance measures.

The audit scope included three key performance measures the Commission reported for fiscal year 2012 (September 1, 2011, through August 31, 2012) and the first two quarters of fiscal year 2013 (September 1, 2012, through February 28, 2013).

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions, evaluating controls over the Commission's performance measure calculation processes and its grant management system, and assessing the reliability of the data obtained from the grant management system that supported the performance measure results.

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Detailed Results

Chapter 1

The Commission Should Improve Certain Controls That Affect All Performance Measures Audited

The Commission on the Arts (Commission) reported reliable results for all three key performance measures tested for fiscal year 2012 and the first two quarters of fiscal year 2013. A result is considered reliable if it is certified or certified with qualification.

The following three key performance measures were certified with qualification for fiscal year 2012 and the first two quarters of fiscal year 2013:

- Percentage of Grants Funded That Are for Arts Education.²
- Average Grant Amount Requested for Arts Education.²
- Average Grant Amount Awarded to Arts and Cultural Organizations.

While the Commission accurately reported the results for all three performance measures, the Commission should improve controls over its performance measure processes and information systems to help ensure continued accuracy. Specifically, the Commission should (1) document its policies and procedures for collecting, calculating, and reviewing performance measure information; (2) perform documented reviews of the calculations results, and (3) perform documented reviews of performance measure data prior to releasing results into the Automated Budget and Evaluation System of Texas (ABEST).

Chapter 1-A

The Commission Should Develop Written Policies and Procedures for Collecting, Calculating, and Reviewing Performance Measure Information

The Commission did not have documented policies and procedures for the collection, calculation, review, and reporting of its performance measures. The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012) (Guide) requires state agencies to clearly document all steps performed in the collection, calculation, review, and reporting of performance measure data. Written policies and procedures will help the Commission increase the consistency of collection, calculation, and review of performance measure information.

² The Commission reported this performance measure in the Automated Budget and Evaluation System of Texas (ABEST) on an annual basis; therefore, auditors did not test this performance measure for the first two quarters of fiscal year 2013.

Recommendation

The Commission should document all steps performed in the collection, calculation, review, and reporting of performance measure data in its written policies and procedures.

Management's Response

We concur with this recommendation and have implemented written policies and procedures for collecting, calculating, and reviewing performance measure information.

Person Responsible for Implementing the Change: Deputy Director

Completion Date: Procedures were developed and implemented in September 2013.

Chapter 1-B

The Commission Should Document Its Reviews of Performance Measure Calculations

The Commission conducted informal reviews of the performance measure calculations for each performance measure tested. However, those reviews were not documented. The Guide requires state agencies to conduct documented reviews of calculations of performance measure information to help ensure that those calculations are consistent with the performance measure definitions and to check for mathematical errors.

Recommendation

The Commission should document its reviews of the calculations of performance measure information.

Management's Response

We concur with this recommendation and have included procedures requiring documented reviews of performance measure calculations as part of our response to the recommendations in Chapter 1-A, above.

Person Responsible for Implementing the Change: Deputy Director

Completion Date: Procedures requiring documented reviews of performance measure calculations were developed and implemented in September 2013.

The Commission Should Conduct and Document Reviews of Performance Measure Data Entered into ABEST

The Commission did not conduct documented reviews of performance measure data before it was entered into ABEST. As a result of not having an established review process, the Commission did not detect that it had incorrectly entered results into ABEST for the fourth quarter of fiscal year 2012 for the Average Grant Amount Awarded to Arts and Cultural Organizations performance measure. However, that error did not cause the reported annual results to differ from the correct result by more than 5 percent.

The Guide requires agencies to perform documented reviews of all performance measure data entered into ABEST before agencies complete the submission of its performance measure results. In addition, the individual conducting the review should be someone other than the individual who performed the calculations. Without adequate, documented reviews, the Commission faces an increased risk of reporting inaccurate performance measures results.

Recommendation

The Commission should conduct and document its reviews of the supporting documents and the related performance measure data it enters into ABEST before completing the submission of performance measure data.

Management's Response

We concur with this recommendation and have included procedures requiring documented reviews of performance measure data entered into ABEST as part of our response to the recommendations in Chapter 1-A, above.

Person Responsible for Implementing the Change: Deputy Director

Completion Date: Procedures requiring documented reviews of performance measure data entered into ABEST were developed and implemented in September 2013.

The Commission Should Improve Certain Controls Over Its Information Systems

Data in the grant management system the Commission used for its performance measure calculations was sufficiently reliable for all three performance measures tested. However, auditors identified certain control weaknesses over the Commission's information technology resources that should be addressed to increase the security and future reliability of the data.

The Commission's servers, on which its performance measure data is maintained, and other equipment are located in the Department of Licensing and Regulation's data center. Commission staff manage the Commission's network directory, servers, and Web site, while a contracted vendor develops and maintains the Commission's grant management system.

Auditors identified the following weaknesses in the controls over the Commission's information technology resources:

- The contracted vendor had administrative access to all network-related resources (for example, user account information, workstations, printers, laptops, and servers), which increases the risk that erroneous or unauthorized changes could be made to the Commission's data or application code. Although the contracted vendor may need administrative access to the Commission's grant management system for maintenance purposes, auditors did not identify a business need that justified giving the vendor this level of access to other Commission network-related resources.
- While the Commission updated its disaster recovery plan (plan) in April 2012, and that plan included provisions for annual testing as required by Title 1, Texas Administrative Code, Section 202.24, it had not executed and documented a full recovery test of the plan since October 2004. To update its plan, the Commission conducted an exercise in which staff discussed two mock disaster-related scenarios. Staff identified areas that the Commission needed to address in its plan. However, the exercise did not include a test of the plan's procedures or a recovery of the Commission's information technology systems, which would be performed during a full recovery test to determine the effectiveness of the plan. Failure to conduct an annual test of the disaster recovery plan creates a risk that critical agency systems could not be restored in a timely manner if a disaster occurred.

Recommendations

The Commission should:

- Improve access controls over the information technology systems used to support its performance measures, including re-evaluating the level of user access granted to its contracted vendor and ensuring that access is necessary based upon business needs.
- Conduct annual tests of the disaster recovery plan to help ensure that in case of an emergency downtime and data loss are minimized.

Management's Response

We concur with these recommendations and have improved access controls over the information technology systems used to support calculating performance measures, including reevaluating the level of user access granted to its contracted vendor and ensuring that access is necessary based upon business needs. Additionally, we will conduct annual tests of the disaster recovery plan to help ensure that in case of an emergency downtime and data loss are minimized.

Person Responsible for Implementing the Change: Director of Programs and Information Technology

Completion Date: In September 2013, TCA implemented controls over the information technology systems used to support calculating performance measures, including reevaluating the level of user access granted to its contracted vendor and ensuring that access is necessary based upon business needs. TCA will conduct its first annual test of the disaster recovery plan by September 2014.

Appendix

Appendix

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Commission on the Arts (Commission):

- Is accurately reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST).
- Has adequate controls in place over the collection, calculation, and reporting of its performance measures.

Scope

The scope of this audit included three key performance measures that the Commission reported for fiscal year 2012 (September 1, 2011, through August 31, 2012) and the first two quarters of fiscal year 2013 (September 1, 2012, through February 28, 2013):

- Percentage of Grants Funded That Are for Arts Education.³
- Average Grant Amount Requested for Arts Education.³
- Average Grant Amount Awarded to Arts and Cultural Organizations.

Methodology

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions, evaluating controls over the Commission's performance measure calculation processes and its grant management system, and assessing the reliability of the data obtained from the grant management system that supported the performance measure results.

Auditors assessed the reliability of the data in the Commission's grant management system that was significant to the performance measures tested by (1) determining population completeness and reasonableness; (2) reviewing queries used to generate data related to the calculation of the performance measures; (3) interviewing Commission employees and information technology administrators knowledgeable about the data and systems; and (4) reviewing documentation for performance measure data.

³ The Commission reported this performance measure in ABEST on an annual basis; therefore, auditors did not test this performance measure for the first two quarters of fiscal year 2013.

Auditors determined that the data in the grant management system was sufficiently reliable for the three performance measures tested for the purposes of this audit. Auditors did not perform any sampling because source documentation was not available. Auditors reviewed 100 percent of the data that the Commission's grant management system collected to determine the accuracy of the three performance measures tested.

Information collected and reviewed included the following:

- Performance measure data in the Commission's grant management system and spreadsheets.
- Supporting documentation retained in hard-copy and system files.
- Information technology system reports and coding used to enter data into the related information technology system.
- Commission policies and procedures.

Procedures and tests conducted included the following:

- Interviewing Commission staff to gain an understanding of the processes used to calculate performance measures.
- Interviewing Commission information technology staff to gain an understanding of the information system used to collect and calculate performance measures.
- Evaluating the sufficiency of the Commission's policies and procedures to determine whether they were adequate to help ensure the correct calculation of the performance measures audited.
- Auditing performance measure calculations for accuracy and to determine whether the calculations were consistent with the methodology on which the Commission; the Legislative Budget Board; and the Governor's Office of Budget, Planning, and Policy agreed.
- Testing the Commission's grant management system to verify the accuracy of reported performance measures and the effectiveness of controls.
- Reviewing queries used to report and calculate performance measures.
- Performing logical access control testing.
- Assessing performance measure results in one of four categories: certified, certified with qualification, inaccurate, and factors prevented certification. For this audit, a result was considered reliable if it was certified or certified with qualification.

Criteria used included the following:

- *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).
- ABEST performance measure definitions.
- Title 1, Texas Administrative Code, Chapter 202 – Information Security Standards.
- Commission policies and procedures.

Project Information

Audit fieldwork was conducted from May 2013 through July 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

- Pamela Bradley, CPA (Project Manager)
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- Sherry Sewell, CGAP
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Verma Elliott, CPA, CIA, CGAP, MBA (Audit Manager)

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