



Guide to
**Performance
Measure
Management**
2012 Edition

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★ Introduction ★

2012 Edition

The State's performance measurement system is an integral part of agency and statewide planning and budgeting structures, evaluation and decision-making processes, and accountability systems. As such, it requires close, consistent, and coordinated attention to maintain its integrity and usefulness over time.

What is the Purpose of this Guide?

This Guide has been developed primarily to help agencies gain an overall understanding of the State's performance measurement system as a part of Texas's Strategic Planning and Performance Budgeting (SPPB) System. (For purposes of this Guide, the term "agencies" includes state agencies, universities, or health-related institutions with statewide jurisdiction in the executive branch of government, unless otherwise noted.) This Guide seeks to:

- ☆ Identify the Governor's and Legislature's expectations for agency management's involvement in performance measures.
- ☆ Explain the role of performance measures within the SPPB System: strategic planning, performance budgeting, and performance monitoring.
- ☆ Provide basic information about performance measures, such as:
 - How and when changes to measures can be made.
 - What roles the Legislative Budget Board (LBB); Governor's Office of Budget, Planning, and Policy (GOBPP); and State Auditor's Office (SAO) play in performance measurement.
 - How the Legislature uses measures when developing the General Appropriations Act.
- ☆ Help agencies prepare for SAO performance measure certification audits by explaining the audit process.
- ☆ Provide agencies with information regarding the importance of using performance measures.

What's New in the 2012 Edition?

The LBB, GOBPP, and SAO released the third version of the *Guide to Performance Measurement* in 2006. The original version was released in 1995. The 2012 edition has been updated with the latest information.

★ Performance Measures in the Strategic Planning and Performance Budgeting System★

Defining the Strategic Planning and Performance Budgeting System

The Strategic Planning and Performance Budgeting (SPPB) System is a mission- and goal-driven, results-oriented system that combines strategic planning and performance budgeting into the State's appropriations process. The SPPB System is used as a resource in making state funding decisions based on whether state agencies are accomplishing expected results.

The SPPB System has three major components: strategic planning, performance budgeting, and performance monitoring.

Strategic planning refers to the process by which an agency develops its strategic plan—a five-year planning document that contains the mission, goals, and objectives the agency seeks to accomplish and the strategies and measures by which success is tracked.

The General Appropriations Act and the agency's operating budgets comprise the *performance budgeting* component of the SPPB System. The General Appropriations Act makes a biennial appropriation of resources and establishes performance targets based on the legislature's funding priorities. An agency's operating budget provides a more detailed and updated allocation of those resources and projected performance for each fiscal year.

Performance monitoring refers to each agency's monitoring of its own performance and quarterly submissions of performance measure reports to the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning, and Policy (GOBPP).

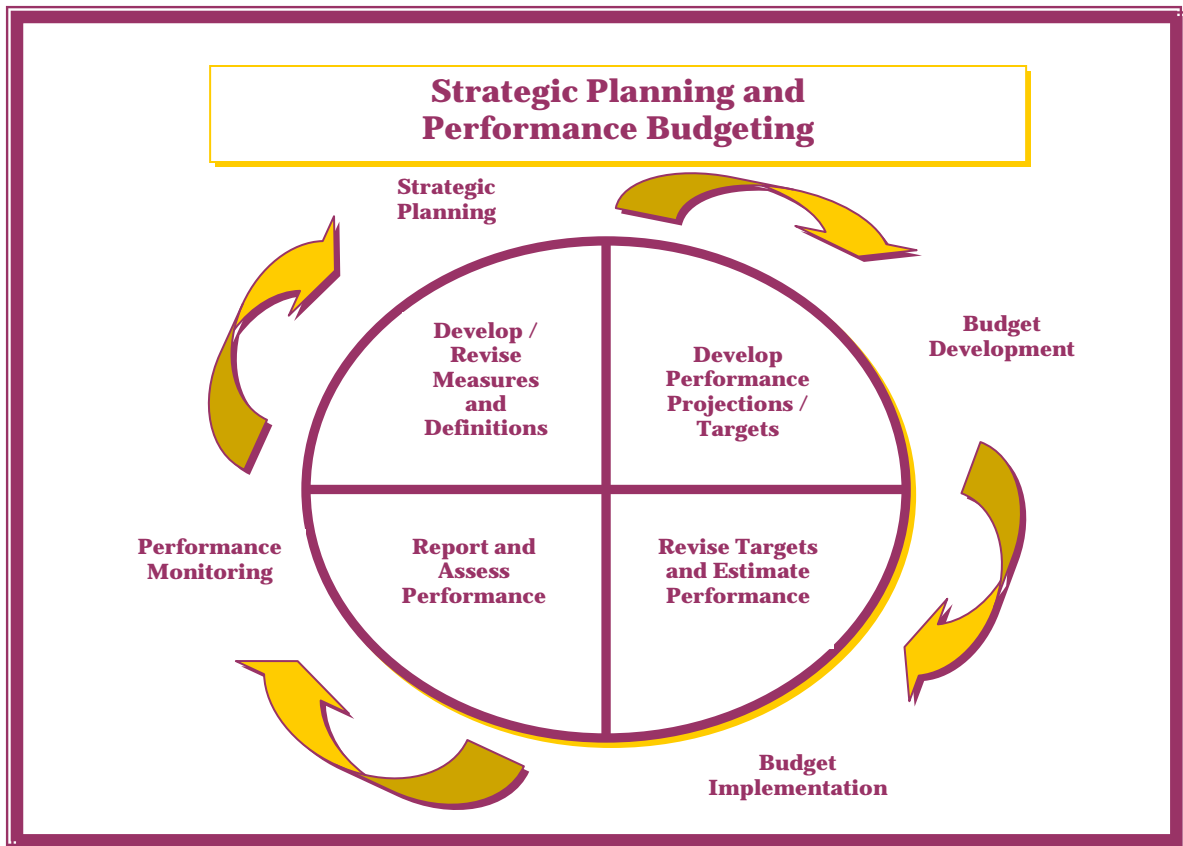
Using Performance Measures in the Strategic Planning and Performance Budgeting System

Each of the components of the SPPB System is interrelated and involves performance measures as a critical element. Performance measures serve several purposes:

- ☆ They are monitoring tools to help guide government and make it accountable to the taxpayer.
- ☆ They indicate how progress toward agency goals and objectives is measured.
- ☆ They are used by decision-makers when allocating resources and determining appropriation levels.
- ☆ They are intended to help focus agency efforts on achieving priority goals and objectives.

The three major components of the SPPB System are implemented across four interrelated phases: strategic planning, budget development, budget implementation, and performance monitoring (see Figure 1).

Figure 1



Source: Legislative Budget Board.

The activities listed in the circle represent primary activities related to performance measurement that occur during each phase of the SPPB System. Activities that occur during those phases are discussed next, and the timeline for those activities is shown in Appendix 2.

Strategic Planning Phase

During this phase, agencies develop their five-year strategic plans. As part of the plan development process, all modifications to agency budget structures (i.e., goals, strategies, and performance measures) must be jointly approved by the LBB and GOBPP. These budget structures are used as major components of an agency’s strategic plans and form the basis for agency appropriations. Additionally:

- ☆ The strategic plan has been routinely used as a starting point for development of an agency’s budget structure.
- ☆ Agencies are encouraged to develop budget structures that are useful and provide sufficient detail to be understandable.

- ☆ Agencies may propose revisions to their budget structures. Agencies with similar operations, universities, health-related institutions, or regulatory agencies use many of the same measures.
- ☆ The LBB and GOBPP review requested changes to budget structures and either accept the changes or propose alternatives and negotiate with agencies regarding the changes.
- ☆ The LBB and GOBPP approve negotiated budget structure changes and changes to performance measures and measure definitions prior to agencies submitting their Legislative Appropriations Requests.
- ☆ Other entities develop additional performance measures for specific purposes during this period. For instance, the Higher Education Coordinating Board updates information on performance measures for use by all universities to be included in the state's higher education master plan for institutions of higher education, *Closing the Gaps by 2015*. Its focus is centered on four goals: increasing student participation, increasing student success, expanding institutional excellence, and increasing research expenditures.

Performance Budget Development Phase

During the performance budget development phase, agencies prepare their Legislative Appropriations Requests using the instructions that the LBB and GOBPP jointly develop at the beginning of this phase. Agencies' Legislative Appropriations Requests include requested dollar amounts and descriptions of the goals, objectives, and strategies to be addressed by the requested funding. In addition, agencies include performance information for all performance measures in their Legislative Appropriations Requests. The LBB and GOBPP receive agencies' Legislative Appropriations Requests. After conducting public hearings, the LBB and GOBPP make appropriation recommendations. The LBB prepares a draft general appropriations bill that contains recommended appropriation amounts and performance measures with corresponding performance targets.

Once a general appropriations bill is passed, the Comptroller of Public Accounts has 10 days to certify whether the bill is balanced. Then the bill is sent to the Governor, who may sign it, sign it with line-item vetoes, allow it to become law without signature, or veto it. Assuming the bill is not vetoed, the general appropriations bill is enacted.

Actions related to performance measures during this phase include the following:

- ☆ Agencies establish performance projections as part of their biennial appropriations requests.
- ☆ The LBB and GOBPP use performance measures when making funding recommendations to the Legislature and Governor.
- ☆ The Legislature determines which key measures and what performance targets will be included in the general appropriations bill.

- ☆ Performance targets can be adjusted in accordance with riders, legislation, budget execution, or unforeseen circumstances pursuant to the General Appropriations Act. (See Appendix 5 for more information.)

Performance Budget Implementation Phase

During this phase, agencies work with the LBB, GOBPP, and the Office of the Comptroller of Public Accounts to respond to budget structure changes made by the Legislature.

- ☆ Agencies prepare operating budgets, projecting their annual performance for key and non-key measures, and set up internal systems to collect expenditure and performance data.
- ☆ Agencies measure and monitor their own performance.

Performance Monitoring Phase

During this phase, agencies report quarterly and annual information regarding actual performance for measures contained in the General Appropriations Act (i.e., key measures) to the LBB. The LBB and GOBPP monitor agency expenditures and actual performance and compare these to appropriation limitations and performance targets. The LBB routinely assesses agency performance data (such as actual versus targeted performance and agency explanations of variance) and reports these assessments to the Legislature. Agencies may prepare separate performance tracking reports during this time. The SAO audits performance data to verify accuracy and determines how agencies use performance information to achieve expected results. Accuracy of information is reported to the Legislature and Governor. Legislative oversight committees, including the House Committee on Appropriations and the Senate Committee on Finance may hold hearings to inquire about variations in performance or expenditures.

Progress in Implementing Strategic Planning and Performance Budgeting System Objectives

Texas began using performance measures in the legislative appropriations process beginning in the 1974-75 biennium. With the adoption of the SPPB System in 1991, Texas increased its emphasis on and use of performance measurement in the legislative appropriations process. The LBB identified specific objectives for the SPPB System. The following list identifies those objectives most closely related to performance measurement.

Objective: Focus the appropriations process on outcomes.

- ☆ The appropriations process emphasizes what state agencies and institutions accomplish instead of just what they do. Outcome measures are an integral part of budget development and legislative consideration of budget requests.
- ☆ The Governor and the Legislature increasingly use outcomes to make funding decisions. Key performance measures (with targets) are appended to each agency's appropriations in the General Appropriations Act.

Objective: Strengthen monitoring of budgets and performance.

- ☆ The Governor and the Legislature receive quarterly and annual reports and assessments of actual agency performance.
- ☆ The House Committee on Appropriations and the Senate Committee on Finance use performance data when developing the General Appropriations Act, in hearings during the interim, and in other oversight activities.

Objective: Establish standardized unit-cost or efficiency measures.

- ☆ Most agency strategies have at least one unit-cost measure.
- ☆ Standardized measures have been established for all occupational licensing agencies, higher education institutions, and health-related institutions.

Objective: Simplify the budget process.

- ☆ The number of key and non-key performance measures has been significantly reduced since the SPPB System was adopted.
- ☆ Appropriate classification of performance measures has improved.
- ☆ Only one budget submission is required.

Objective: Provide rewards and penalties for success and failure.

- ☆ Performance rewards have been established for state agencies that meet specified performance criteria (see Appendix 4 for more information).

Objective: Have the SAO certify the accuracy of performance measurement data.

- ☆ The SAO provides independent evaluation of measurement data accuracy.
- ☆ The SAO uses an annual risk assessment that considers performance measure results to select agencies for review.
- ☆ The SAO assesses the internal controls related to performance measures management systems.
- ☆ The LBB follows up by requiring plans for corrective action, when necessary, in response to SAO reports. (This is usually done during the strategic planning process.)

★ Oversight of Performance Measurement Systems ★

Expectations of the Governor and the Legislature for Agency Management's Involvement with Performance Measures

In 1991, the Legislative Budget Board (LBB) mandated a new budgeting system for funding agencies based on accomplishments (performance) in addition to efforts (workload). (See Appendix 3 for examples of outcome versus workload measures.)

The LBB and the Governor's Office of Budget, Planning, and Policy (GOBPP) jointly approve performance measures and definitions; however, it is the expectation of the Governor and the Legislature that agency management is meaningfully involved in developing, monitoring, and using performance measures in the following ways:

- ★ Management will determine the key factors that influence the agency's primary performance areas. The significance of these factors will be clearly communicated in the strategic plan and Legislative Appropriations Request. Management will regularly review the agency's key measures and suggest revisions, additions, or deletions as necessary. The Legislature makes the final determination.
- ★ Management will ensure that an effective performance monitoring and evaluation system is developed by the agency. This includes instituting all necessary processes to ensure that performance measure information is accurate.
- ★ Achievement of performance targets will be among an agency's highest priorities. Agency variances from performance targets will be promptly identified and addressed.
- ★ Management will incorporate performance information in day-to-day agency decision making to monitor operations and to determine if the agency is achieving expected results. This information is also used to formulate the agency's Legislative Appropriations Request and to allocate resources.

Importance of Performance Measures to Agency Management

Performance measurement serves a number of external, as well as internal, agency purposes. Performance measures are integrated into the State's external accountability and fiscal decision-making systems. Successful agencies are also able to use performance information to effectively and efficiently manage their operations. Agency governing boards and managers are strongly encouraged to use performance measurement as an integral part of their strategic and operational management of agencies.

Performance measures are revised and/or developed as part of the strategic planning process. Agencies should carefully review performance measures to ensure that they flow from the

agency's mission, goals, objectives, and strategies and are logically related to the other elements of the strategic plan. Special focus should be brought to the agency's customers and how they are best served.

Strategic plans also provide an opportunity to forecast outcome performance for the next five years. Hence, performance measures serve as a basis for planning future agency actions and resource allocation. In the preparation of a Legislative Appropriations Request, agencies have an opportunity to develop links between performance and funding. The Legislative Appropriations Requests inform decision-makers (such as the Governor and the Legislature) of internal processes and help establish cause-and-effect relationships between performance, agency actions, and funding.

The Governor and the Legislature expect agencies to focus on performance. Agencies are held accountable for performance variances. In some previous instances, specific agencies that have not realized targeted performance have experienced corresponding budget reductions. Funding decisions are clearly influenced by agencies' previous projected and actual performance.

Performance measures can also be used by agencies for a variety of other purposes to improve agency operations and communications. Improvements in management controls over performance measurement produce better management information for the agency. Successful performance management practices in Texas and around the nation show how performance measures can be used to:

- ☆ Operationalize the strategic plan through action plans, operational plans, implementation plans, and business plans;
- ☆ Operationalize legislative appropriations through the operating budget;
- ☆ Periodically reassess agency progress in achieving strategic and operational goals and objectives through review of actual performance and expenditures;
- ☆ Evaluate agency staff performance;
- ☆ Develop and refine agency rules, policies, and procedures;
- ☆ Formulate results-oriented contract provisions with subcontractors, vendors, and grantees; and
- ☆ Communicate with agency employees, customers, and other stakeholders.

Finally, agencies are subject to performance measures audits, and additional scrutiny occurs for non-certifiable measures. During legislative hearings, agencies appearing before the House Appropriations Committee and the Senate Finance Committee may be asked to explain inadequacies in their measures documentation and reported data, as well as conditions resulting in variance from expected performance.

★ Performance Measures and Supporting Data ★

Characteristics of a Good Performance Measurement System

A good performance measurement system should provide information that is meaningful and useful to decision-makers. A good system and good performance measures play an integral part in an agency's daily operations and are well supported by executive management.

☆ 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 agency and decision-makers.
- Accessible: provides periodic information about results.
- Reliable: provides accurate, consistent information over time.

Characteristics of Performance Measures Used in the Strategic Planning and Performance Budgeting (SPPB) System

To implement an effective performance measurement system, the appropriate types of measures must be developed, and they must meet the criteria for good measures. The Texas measurement system consists of four types of measures: outcome, output, efficiency, and explanatory/input. The following are definitions of the measures:

- Outcome Measure** - A quantifiable indicator of the public and customer benefits from an agency's actions.
- Output Measure** - A quantifiable indicator of the number of goods or services an agency produces.
- Efficiency Measure** - A quantifiable indicator of productivity expressed in unit costs, units of time, or other ratio-based units.
- Explanatory/Input Measure** - An indicator of factors, agency resources, or requests received that affect a state entity's performance.

☆ Good performance measures should meet the following criteria:

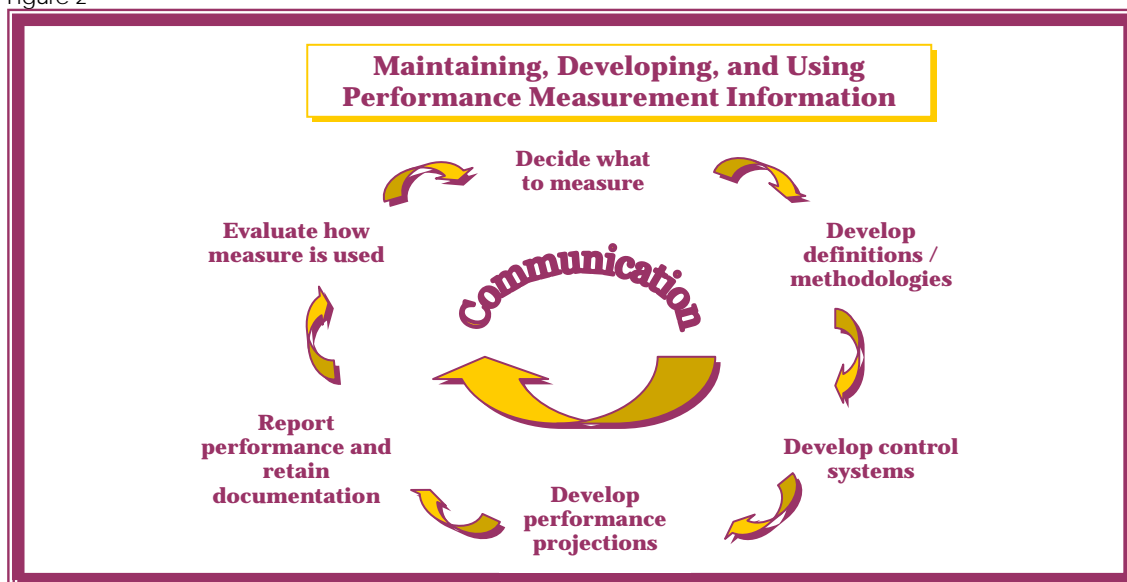
- Responsive: reflect changes in levels of performance.
- Valid: capture the information intended.
- Cost-effective: justify the cost of collecting and retaining data.
- Comprehensive coverage: incorporate significant aspects of agency operations.
- Relevant: logically and directly relate to agency goals, objectives, strategies, and functions.

Process for Maintaining, Developing, and Using Performance Measure Information

The following discussion explains the major actions in maintaining, developing, and using good performance measures. This process can be used when developing new measures or when evaluating existing ones. Figure 2 shows how to proceed through this process, which should be repeated often enough to maintain the best and most effective possible set of performance measures.

The Legislative Budget Board (LBB) and the Governor’s Office of Budget, Planning, and Policy (GOBPP) must approve performance measures and definitions, and the State Auditor’s Office (SAO) audits the measure results. Agencies are expected to take the initiative in reviewing and refining existing measures, as well as proposing and developing new measures as appropriate, so that the measures best reflect agency performance.

Figure 2



Source: State Auditor's Office.

Foster Internal/External Involvement and Communication

Meaningful communication throughout the process of reviewing existing performance measures and measurement systems or developing new ones can significantly enhance their quality and longevity. Clear and frequent communication with all parties involved (both inside and outside of the agency) can also reduce the need for future revisions. The following techniques can help ensure a smooth performance measure review and/or development process:

- ☆ Solicit management's and the governing body's comments in the early stages to provide direction to the process.
- ☆ Involve operational staff to help identify existing measures in need of review or potential new measures for which timely and meaningful information can be collected at a reasonable cost.
- ☆ Include the agency's budget staff members early in the process, as they will have to work with and explain the performance data later.
- ☆ Communicate early with LBB and GOBPP staff members to gain experienced opinions on revised or proposed measures' usefulness to decision-makers.
- ☆ Solicit comments from agency customers and other external parties to test new or revised measures' validity and relevance.

Focus on the Functions That Need to Be Measured and Identify the Indicators That Best Reflect Performance

In the measurement revision or development process, it is crucial to be mindful of the ultimate purposes for which measures are employed: management information for the agency; compliance information for the Governor, Legislature, and oversight agencies; and significant outcome information for customers. Measures should focus on key processes and should be central to the success of the process that is measured. The following questions can help agencies focus on the ultimate use for measures:

- ☆ What are the most direct effects of each strategy on the agency's "customers"?
- ☆ What information does management need to track movement toward key goals and objectives?
- ☆ What performance measures best reflect the expenditures of the agency's budget?
- ☆ Do these performance measures clearly relate to the agency's mission, goals, objectives, and strategies?

Performance measures are revised and/or developed as part of the strategic planning process in the spring and summer of even-numbered years. They must relate directly to an agency's strategic plan. What is measured and how to measure it should be based in part on data availability; however, gathering data not previously collected should be considered if a major indicator of a primary function does not currently exist. The internal/external assessment phase of an agency's strategic planning process helps to ensure that appropriate data is or will be collected to result in effective performance measures.

It is important to remember that performance measures are not designed to report every activity of the agency. Only key processes and activities should be measured. Certain measures are designed to indicate how well the program or service is meeting expected results. For example, a program with the primary goal of reducing air pollution in Texas might focus an outcome measure on only those metropolitan areas not currently meeting federal air quality standards. The measure might include only 15 of 20 pollutant types, if the other 5 types are not significant to Texas. Other measures are designed for monitoring budget drivers, such as caseloads.

How and when does an agency identify changes to performance measures and definitions?

Revisions to measures and definitions should be proposed in writing to the LBB and GOBPP at the same time as other strategic plan revisions (the spring of even-numbered years). Well coordinated, timely, and thorough strategic planning processes should identify, prior to this time, where there is a need for revisions.

An agency's justification for a proposed measure change may relate to a policy change, a significant change in circumstances, or a substantial difficulty with the measure.

As standard measures are used for higher education institutions and regulatory agencies, it is preferred that proposed changes be agreed upon by all involved institutions or agencies prior to submission to the LBB and GOBPP.

Effective proposals should:

- Focus on an agency's key measures since decision-makers' interest is centered on them.
- Facilitate review and comment by providing, preferably, a side-by-side layout of the current measures, proposed changes, and explanations.
- Allow for dual reporting of current and proposed measures during a transition period.

Revisit/Develop Performance Measure Definitions and Calculation Methodologies

In addition to refining or developing performance measures during the strategic planning process, agencies also develop and change definitions for performance measures during the strategic plan revision process. A performance measure's definition establishes both an explanation of the measure and the methodology for its calculation. It is important that the definition contain enough pertinent information to be clearly understood and the description of its calculation be detailed enough to allow replication. Appendix 8 contains examples of actual measures and good definitions for outcome, output, efficiency, and explanatory measures.

How do the LBB and GOBPP review proposed changes to measures' definitions?

The LBB and GOBPP seek to ensure that definitions are complete and reasonable. Definitions are reviewed for clarity and checked for the required elements. If the SAO recommends changes to definitions based on certification audits, definitions are checked for consistency with SAO recommendations.

How do the LBB and GOBPP determine whether to approve proposed changes to measures and measure definitions?

The LBB and GOBPP evaluate and negotiate proposed changes using the criteria for an effective system and good individual measures. Legislative and gubernatorial interest in particular measures is also considered, along with continuity of performance information.

A complete performance measure definition includes all of the following properties:

- ☆ **DEFINITION** – Provides a brief explanation of what the measure is, with enough detail to give a general understanding of the measure.
- ☆ **PURPOSE/ IMPORTANCE** - Explains what the measure is intended to show and why it is important.
- ☆ **SOURCE/ COLLECTION OF DATA** - Describes where the information comes from and how it is collected.
- ☆ **METHOD OF CALCULATION** - Clearly and specifically describes how the measure is calculated to the extent that reporting can be replicated.
- ☆ **DATA LIMITATIONS** - Identifies any limitations about the measurement data, including factors that may be beyond the agency's control.
- ☆ **CALCULATION TYPE** - Identifies whether the data is cumulative or non-cumulative. (Note: All outcome and explanatory measures are noncumulative since they are reported only once a year.)
- ☆ **NEW MEASURE** – Identifies whether the measure is new, has significantly changed, or continues without change from the previous biennium.

- ☆ **TARGET ATTAINMENT** – Identifies whether actual performance that is higher or lower than targeted performance is desirable (e.g., a disease rate lower than targeted is desirable).

The LBB and GOBPP at times establish common measure definitions (e.g., higher education institutions and regulatory agency measures). A consistent understanding of the measure helps apply the definition uniformly across agencies. In some cases, representatives from agencies that have common measures meet and discuss the measures to ensure a consistent application of the definition. These groups also provide a basis for recommending measure definition changes.

Implement and Maintain Effective Control Systems

All systems that support performance measure data collection should have effective controls to provide reasonable assurance that the information is properly collected and accurately reported. An effective internal control system contains checks and balances to ensure the integrity and accuracy of the information produced. It should be designed at the time the performance measures are developed, and the internal control system should be periodically reviewed to verify proper implementation.

For example, agencies should implement procedures for performing documented reviews of all performance data entered into the Automated Budget and Evaluation System for Texas (ABEST) before the submission of performance measure results is complete to help ensure that data entry is accurate. In addition, agencies should ensure that explanations of variance and explanations of updates are developed by appropriate staff to help ensure meaningful explanations. The extent to which particular controls should be developed is determined through a balance of the controls needed to ensure accurate information and the cost of developing the controls.

Reliable performance measurement systems have several linked components that require strong control systems to deliver useful information to management and decision-makers. (Those components and their relationships are depicted in Appendix 6.) Manual and automated systems require controls in three major areas: input, process, and review.

- ☆ Input controls are processes that an agency develops to provide reasonable assurance that data introduced into the performance measurement system is accurate.
- ☆ Process controls are mechanisms that an agency develops to provide reasonable assurance that performance measurement systems use the appropriate information and

How does the Legislature set an agency's targets?

The LBB recommends targeted performance levels for key performance measures during the development of budget recommendations. Agency projections in a Legislative Appropriations Request usually serve as the starting point. LBB modification of agency projections may relate to past performance, changes in funding levels, variances from external benchmarks, state or federal statutory or rule changes, issues identified by the LBB and GOBPP, or other relevant factors. After hearings and deliberations, the Legislature's budget committees adjust targets as necessary. Finally, targets are set through adoption of the General Appropriations Act.

Do the LBB and GOBPP make changes to targets set in the General Appropriations Act?

The LBB and GOBPP are authorized by the General Appropriations Act to make changes to targets established in the General Appropriations Act. In previous years, when the SPPB System was new, changes to targets were approved for a variety of reasons.

The General Appropriations Act (2012–13 Biennium) Article IX, Section 7.01(a)(4), authorizes the LBB (in consultation with the Governor) to change targets to reflect appropriation changes made by riders or other legislation, when invoking budget execution authority, or in response to unforeseen circumstances.

follow procedures established for gathering data, calculating each measure, and providing explanations.

- ☆ Review controls are procedures that an agency develops to verify that an activity occurred and was correctly calculated to provide reasonable assurance that accurate data is reported to ABEST and agency management.

Controls are discussed further in Section 5, “Auditing Performance Measures.”

Establish Performance Projections for Measures

Performance projections should be challenging but achievable. Good projections are important tools to improve and test performance. They can also be used as guideposts to assess whether programs are achieving desired results on schedule and at appropriate levels, and they can help agencies stay focused on areas of legislative interest. It is important to realize that in some cases overachievement of targets may be as problematic as underachievement; hence performance projections should be as accurate as possible.

Two types of projections are required in the SPPB System. Agencies make five-year projections for outcome measures as part of their strategic planning processes. Agencies also forecast all of their measures for the next biennium as part of their Legislative Appropriations Requests.

The following are techniques that can be used when developing performance projections:

- ☆ A trend analysis or other statistical techniques can establish a baseline projection if past data exists. This baseline data can be used for predicting future levels of service under conditions similar to the past. Baseline data can also provide the beginning information for projecting estimated performance changes. Often, baseline data is needed when using methods of projecting performance that include adding an estimated increase in service to a current or past level of service.
- ☆ An internal/external assessment can help identify influences on the performance projection that lie outside the data contained in the baseline projection. As the internal/external assessment process is required during the strategic planning phase, agencies have the opportunity to identify factors that may affect performance projections. Factors to consider in this assessment would include agency priorities, available resources, and efficiencies gained from improved procedures and new technologies.
- ☆ National, state, or industry averages can provide additional data to use in projecting performance. In some cases, this information is not difficult to obtain and has been validated by credible sources. Agencies should be careful to verify what is and is not included in the averages to ensure that comparisons are valid.

- ☆ Benchmarking against best practices is another method to help agencies project performance. Other states with similar programs or services that have been successful may have recorded performance information. This information can be valuable in projecting performance.
- ☆ Sampling or piloting performance may be an appropriate method for estimating performance for new programs or services.

For the best possible performance projection, a combination of the methods listed above or other techniques should be used.

What is ABEST?

ABEST is the acronym for the Automated Budget and Evaluation System of Texas, a computer system maintained by the LBB. The system contains data on agency strategic plans, agency appropriations requests, executive and legislative staff appropriation recommendations, appropriation bill versions (through the legislative process), and performance monitoring. Performance measure information includes: measure definition; classification (output, outcome, etc.); targeted and actual performance; explanation of variances of 5 percent or greater between targeted and actual performance; and explanation of any updates made by agencies to reported performance information.

Report Actual Performance and Retain Adequate Documentation

Actual performance results are reported quarterly and annually to the LBB through ABEST. Performance results should be reported accurately and in a timely manner. If performance data changes for any reason, subsequent to reporting, this changed information should be reported to ABEST with an explanation of the update. To make changes to ABEST after the data has been released or “completed,” agencies must get approval from their LBB performance analyst to reopen ABEST for updates. Additional information regarding ABEST reporting procedures is available on the LBB’s Web site in the following guides: *Performance Measure Reporting for State Agencies* and *Performance Measure Reporting for Institutions of Higher Education*.

Adequate documentation of primary data related to performance measures should be retained to support the reported performance. Additional documentation should be kept if a database does not contain an appropriate audit trail.

These documents can be in electronic or hard copy form, but they should be accessible for review whether stored onsite or offsite. According to the State of Texas Records Retention Schedule, performance measure documentation should be retained for the fiscal year reported plus three years in order to respond to audits, as well as to other performance-related questions.

Evaluate How Measures Are Used

State agencies and institutions of higher education should continually evaluate how performance measures are used to help achieve the results expected by the Legislature. This includes determining who in the organization uses the measure and what type of information the measure provides. Agencies and institutions should also ensure that changes have not been made to the data supporting the measure so that the data no longer provides the information originally intended.

★Performance Monitoring by Oversight Entities★

What Agencies Are Expected to Report for Performance Monitoring

Agencies are expected to accurately report actual performance data on a quarterly basis for key output and efficiency measures and on an annual basis for key outcome and explanatory measures. Non-key measures are reported annually in agencies' operating budgets (in odd-numbered calendar years) and in Legislative Appropriations Requests (in even-numbered calendar years). See Appendix 3 for performance measure types, uses, and examples.

In addition to accurate reporting of actual performance, agencies should also report explanations when actual performance of key measures varies five percent or more from targeted performance. These explanations should describe the circumstances that caused the agency's actual performance to deviate from its performance targets. Specifically:

- ☆ Explanations of variance should include information on how an agency intends to address the variance from targeted performance.
- ☆ Variance explanations provided by operational staff often contain important details that are missing if the explanations are drafted solely by budget or performance data staff.
- ☆ Explanations of variance are permitted and are sometimes useful even when the variance is less than five percent.
- ☆ Management reviews help ensure the accuracy and relevance of variance explanations.
- ☆ Agencies are encouraged to update reported performance information as often as necessary. Agencies are asked to provide explanations of updates to explain the reasons for any change in previously reported data.

How the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning, and Policy (GOBPP) Assess Reported Performance Measures Data

The LBB conducts a periodic assessment process focusing primarily on variances of five percent or more from targeted performance, asking questions such as these:

- ☆ How does the reported performance compare to previous periods?
- ☆ Is the variance from targeted performance relevant to successful achievement of the goal or objective?
- ☆ Did external factors affect performance to the extent that targets could not be met?
- ☆ Is the variance due to a faulty projection of performance?

- ☆ Did the variance cause unanticipated effects?
- ☆ Are the agency's explanations of variance complete and adequate?

The GOBPP and other entities use variance data to analyze the agency's performance or to assess risk within the agency.

How Other Agencies Monitor Performance

Performance data is compiled in several ways by state agencies for their own informed use, as well as for responding to outside inquires. For example, the Higher Education Coordinating Board takes these steps:

- ☆ Publishes the *Texas Public Higher Education Almanac*, a profile of state and institutional performance and characteristics, which is used by elected officials, institutions of higher education, and the general public to evaluate and compare the performance of institutions;
- ☆ Provides strategic oversight for the collection, analysis, and dissemination of information and data on higher education to state policy makers and other interested parties;
- ☆ Prepares higher education data resources, tools, and studies on various aspects of Texas higher education, the focus of which is often institutional performance; and
- ☆ Maintains an extensive database on Texas's post-secondary educational activities. This database is a source of performance data in addition to performance related to some of the measures in the General Appropriations Act and the Accountability System for Higher Education.

How the LBB and GOBPP Use Performance Measures to Make Funding Recommendations

The LBB and GOBPP rely on performance measures in evaluating an agency's biennial Legislative Appropriations Request. Although funding recommendations for higher education institutions and health-related institutions are not currently based on performance measurement results, measures are used to evaluate programs.

Specific measures serve the following purposes:

- ☆ Outcome measures are used to assess an agency's effectiveness in serving its key customers and in achieving its mission, goals, and objectives. They are also used to direct resources to strategies with the greatest effect on the most valued outcomes.
- ☆ Output measures are used to quantify an agency's workload, such as the goods and services it provides.

- ☆ Efficiency measures are used to assess the cost-efficiency, productivity, and timeliness of agency operations.
- ☆ Explanatory measures are used to define the agency's operating environment and to explain factors that affect agency performance.

How Performance Measure Data Is Used to Assess Performance Rewards and Penalties

The General Appropriations Act contains provisions related to performance rewards and penalties to provide agencies with incentives to achieve established performance targets. The General Appropriations Act (2012–13 Biennium), Article IX, Section 6.13, includes those performance-related provisions (see Appendix 4 for the actual full text). For example, one provision:

- ☆ Requires state agencies to provide testimony on performance variances to the House Committee on Appropriations and the Senate Committee on Finance;
- ☆ Directs the LBB to develop guidelines and procedures for assessing agency performance; and
- ☆ Authorizes the LBB and the Governor to adopt a budget execution order that may include, but is not limited to, one or more of the following:

Positive Incentives or Rewards

- Increased funding.
- Exemption from reporting requirements.
- Increased funding transferability.
- Formalized recognition or accolade.
- Awards or bonuses.
- Expanded responsibility.
- Expanded contracting authority.

Negative Incentives or Redirection

- Evaluation of outcome variances for remedial plan.
- Reduction of funding.
- Elimination of funding.
- Restriction of funding.
- Withholding of funding.
- Reduction of funding transferability.
- Transfer of functional responsibility to another entity.
- Recommendation for placement in conservatorship.
- Direction that a management audit be conducted.
- Direction that other remedial or corrective action plans be implemented.

Another provision of the General Appropriations Act (2012–13 Biennium), Article IX, Section 6.13, authorizes agencies with demonstrated outstanding performance and ongoing improvements to expend appropriations for the purpose of enhancing compensation to employees who directly contributed to the agency’s performance. Enhanced compensation may not exceed 6.8 percent of the employee’s annual base pay.

To be eligible for using funds for enhanced employee compensation, an agency must meet the following criteria:

1. Achieve or exceed targets for 80 percent of the established key performance measures for the applicable fiscal year;
2. Have a “Certified” rating for at least 70 percent of its performance measures in the most recent State Auditor’s Office (SAO) performance measure certification audit;
3. File a report describing the success of the innovative program and criteria used to assess the improvements; and
4. Sixty days prior to implementing enhanced compensation, file a report that describes how the agency intends to use this flexibility to further its performance goals.

★ Auditing Performance Measures ★

State Auditor's Office's (SAO) Role in the Strategic Planning and Performance Budgeting (SPPB) System

The SAO's involvement in the SPPB System is to examine the accuracy of reported performance measures and assess the related internal controls. The SAO will assess the accuracy of reported performance measures so that the Governor and the Legislature can determine to what extent they can rely on the reported performance measures when making decisions or evaluating state agencies. The SAO also verifies that the performance measures are produced by management systems that have adequate internal controls. Adequate safeguards over the collection, calculation, and reporting of performance measure data increase the probability that reported measures will be accurate over time.

How Are Agencies Selected for an Audit?

Agencies are selected for an audit based on a risk-assessment process. The SAO selects agencies to audit based on the following factors:

- ☆ Substantial changes in organizational structure or personnel.
- ☆ Expressions of concern by legislators.
- ☆ Patterns of unexpected performance.
- ☆ Dollars appropriated to an agency.
- ☆ Indications from previous audits that an agency has potential performance measure control weaknesses.
- ☆ Frequency with which an agency's performance measures have been reviewed.

Agency and Legislative Budget Board (LBB) requests also will be considered.

What Are the Steps in a SAO Audit of Performance Measures?

The certification of performance measures consists of two audit objectives. One objective is to determine whether the agency is accurately reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST). The second objective is to determine whether the agency has adequate control systems over the collection, calculation, and reporting of its performance measures. After a specific agency is selected for audit, auditors will follow certain steps, which are described below. It should be noted that some of the steps below will be conducted simultaneously.

Certification Process for Performance Measures

- Step 1 - Determine which of the agency's measures to audit.
- Step 2 - Determine the method the agency used to collect, calculate, and report the performance measure data.
- Step 3 - Determine whether the agency retained adequate support to re-create the number reported in ABEST and whether the agency followed the measure definition.
- Step 4 - Determine whether adequate controls exist over performance measure data to ensure consistent reporting of reliable information produced from manual processes.
- Step 5 - Determine whether adequate controls exist over performance measure data to ensure consistent reporting of reliable information for automated systems.
- Step 6 - Obtain a list of items to be sampled from the agency.
- Step 7 - Choose a sample.
- Step 8 - Test the agency's source documentation for accuracy.
- Step 9 - Determine each performance measure's certification category.

Step 1

Determine Which of the Agency's Measures to Audit

The measures to be audited are selected primarily from the agency's key measures. A combination of measure types (output, outcome, efficiency, or explanatory) may be selected. Non-key measures may also be reviewed if they are determined to be important in monitoring the success of key strategies. Performance measures that the agency believes are important may also be considered when selecting measures. To meet the needs of the LBB, the Governor's Office of Budget, Planning, and Policy (GOBPP), and the Legislature, the SAO tries to fulfill the LBB's requests regarding agency and measure selection. The measures selected for audit are

usually chosen because they include one or more of the following characteristics:

How does the LBB, in consultation with the GOBPP, determine an agency's key measures?

These decisions are made when funding recommendations are being developed. Usually, each strategy has only a few key measures. Key measures:

- Are budget drivers that are generally externally focused.
- Are closely related to the goals identified in the statewide strategic plan.
- Are reflective of the characteristics for good performance measures (see pg. 10).

Of the 4,153 measures recommended in the 2012–13 biennium, 1,952 were key measures.

- ☆ Represent the activities associated with the mission and strategies to which the largest amount of funds are appropriated.
- ☆ Represent significant activities of an agency in determining whether programs are meeting expected results.
- ☆ Have significant legislative interest.
- ☆ Are associated with programs that have documented difficulties.
- ☆ Appear to be problematic based on reported performance information.

Step 2

Determine the Method the Agency Used to Collect, Calculate, and Report the Performance Measure Data

The data collection methodology should be consistent with the measure definition, which includes the data source and calculation methodology. The auditor will determine the following:

- ☆ The event or events that begin the process of collecting data for reporting performance.
- ☆ The events that occur from the beginning of the process until the performance measure data is entered into ABEST and reviewed.
- ☆ Where and how the data is stored and maintained (manual or automated system) during the collection period.
- ☆ The levels of review, which includes the review of performance measure calculations and the review of data entered into ABEST.
- ☆ The individual(s) within the agency who are responsible for collecting, calculating, reviewing, and reporting the data.

Trouble Shooting Tips

- Keep all calculation documents, including the detail that supports the calculation.
- Review all calculations for mathematical errors.
- Maintain documentation for all levels of review.

The agency should clearly document all steps performed in the collection, calculation, review, and reporting of the performance measure data in its written policies and procedures. If the agency does not have policies and procedures for the performance measure process, the measure cannot receive a rating of “Certified.”

Step 2 Example

Suppose an agency wants to process applications more efficiently so that its customers will be served in a timely manner. This is of concern to agency management because the agency has experienced large backlogs in this area in the past. The agency has a measure entitled “Number of Applications Processed.” This measure is calculated by adding all the types of applications processed each quarter. It should be noted that applications processed by a university would be reported for each spring, fall, and summer semester.

To certify this measure, the auditor will examine the applications processed in each quarter. The agency reported processing 500 applications in the previous year. The documented measure definition for “Number of Applications Processed” reads:

Definition: The total number of M, N, O, and P applications (where each letter represents a different type of application processed by the agency) processed each quarter.

Data Limitations: The data is dependent on the number of applications submitted to the agency. This number is not within the agency's control.

Data Source: Applications received by the agency through the mail and online. The information associated with each application is maintained in the agency's computer system.

Methodology: The sum of type M plus type N plus type O plus type P applications that are processed during the quarter. An application is considered "processed" when the reviewer closes a file for an applicant in the computer system and the date is recorded.

Purpose: To determine the number of applications processed during the reporting period. This measure can be used to determine whether customers are being served in a timely manner or whether a backlog of applications exists.

For the measure "Number of Applications Processed," the auditor would need to determine that the process begins when an application is received through the mail and date-stamped by the agency or received on-line from an applicant, printed out, and date stamped. Once applications are received, they are then entered into the computer system by data entry personnel (for applications received through the mail). Once the applications have been entered, the program staff is responsible for comparing the applications to what has been entered into the computer system and approved by the reviewer. For all applications, staff verifies the information provided to help ensure that customers are eligible for service.

The auditor would also want to know that an application is considered "processed" when the reviewer closes the applicant's file in the computer system and the date is recorded. Each quarter and at year end, the computer system generates the number of applications closed, and that information is reviewed and entered into ABEST. A supervisor then reviews the performance measure information to make sure it is accurately calculated and entered before submission into ABEST is complete.

Step 3

Determine Whether the Agency Retained Adequate Support to Re-Create the Number Reported in ABEST and Whether the Agency Followed the Measure Definition

The auditor will determine whether the agency calculates the measure as the measure definition describes. The only exception is if the LBB and GOBPP have given written approval allowing an agency to calculate the performance measure data in a manner that is different from the performance measure definition.

This step requires the agency to produce summary documentation that supports the performance measure data reported.

Summary documentation shows the final calculations that support the performance measure data reported in ABEST. Examples of this type of documentation are current computer printouts that reproduce summary calculations of the previously reported performance measure data, archived computer printouts produced on the reporting date that document the summary calculations, quarterly summary calculation documentation, spreadsheets, and manual calculation sheets. If performance measure data is overwritten in an automated system, agencies should maintain support for reported ABEST results as of the reporting period cut-off date. Archived data can be maintained electronically in a secure location or in hardcopy. Documents stored off site should be accessible for review. According to the State of Texas Records Retention Schedule, performance measure documentation should be retained for the fiscal year reported plus three years in order to respond to audits, as well as to other performance-related questions.

If an agency updates its performance measure information in ABEST, documentation should be available for both the original and updated performance measure information.

If an agency deviates from the measure definition without the approval of the LBB and GOBPP, certification results will be as follows:

- ☆ If the auditor determines that the deviation results in less than a 5 percent difference between the performance reported to ABEST and the correctly calculated number based on performance measure data—and no other problems are found with the measure—the measure cannot be certified, but may be certified with qualification. However, the auditor will continue to assess controls and test a sample of documentation.
- ☆ If the auditor determines that the deviation results in a 5 percent or greater difference between the number reported to ABEST and the correctly calculated number, the measure will be considered inaccurate.
- ☆ If because of the deviation from the definition, the auditor cannot determine what the correct performance measure result should be, the measure will be identified as factors prevented certification.

Trouble Shooting Tips

- Keep summary documents.
- Review summary documents to determine whether the numbers in the documents are the same as the numbers reported to ABEST.
- Ensure definitions are clear, specific, and not open to interpretation. If necessary, consult with the LBB.
- Review measure definitions to ensure they are consistent with measure names. If necessary, consult with the LBB.
- Train personnel to calculate the measures according to measure definitions.
- Ensure that policies and procedures are documented rather than simply relying on the measure definition as written procedures.
- Communicate to staff the importance of providing information accurately and consistently over time. Consider including accuracy and consistency in staff performance evaluations.
- Designate specific cut-off times for reporting.
- Pay special attention to continuity of data collection and calculation during personnel changes.

Step 3 Example

In the next example, ABEST shows that reported performance for “Number of Applications Processed” is 300. Agency personnel informed the auditor that the “Number of Applications Processed” is calculated by adding the total number of the three types of application (M, N, and O applications) processed. The measure definition (stated in the example for step 2) states that type P applications should also be included when calculating the measure. By not including the type P applications, 200 applications were not incorporated into the reported performance measure result; therefore, the measure is greater than 5 percent of the reported number (66.7 percent difference). This measure would be considered inaccurate.

The measure also could be inaccurate if the agency included applications that were received in the reported year but not closed until the next year. This does not follow the measure definition because the definition states that applications are not determined to be “processed” until they are closed. In addition, factors could prevent certification of the measure if auditors could not determine whether the applications were processed because the closed dates were not recorded.

If the agency’s calculation is consistent with the measure definition for the “Number of Applications Processed,” the certification process will continue.

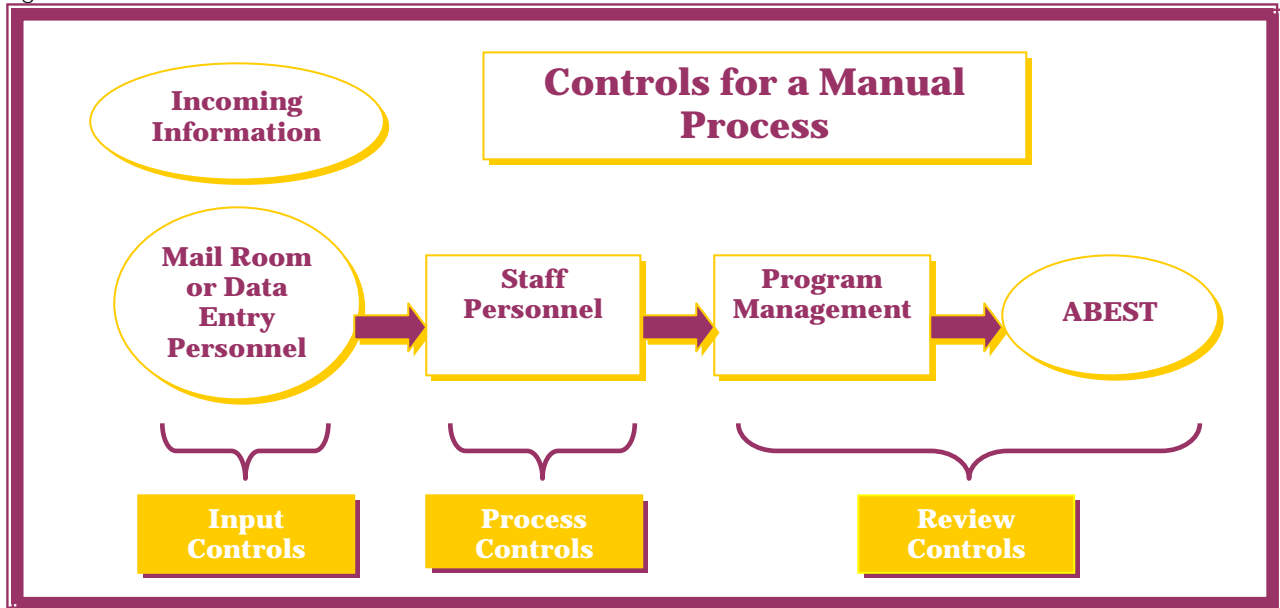
Step 4

Determine Whether Adequate Controls Exist Over Performance Measure Data to Ensure Consistent Reporting of Reliable Information Produced From Manual Processes

Some agencies use manual processes to calculate performance measures. A manual process may use paper files and imaged files. If a computer application is used with this process, it is used mainly to count or keep track of the records at a summary level, not to maintain detailed information. Auditors may determine that the source documents or corroborating evidence available will serve as the primary means by which data reliability can be assessed in a manual process.

The auditor will determine whether the necessary controls exist at each point in the data flow. Controls will be reviewed from the initial point that performance information is recorded until the point at which the accumulated measure information is entered into ABEST and the submission into ABEST is complete. Figure 3 on the next page illustrates areas in which controls should be in place in a manual process.

Figure 3



Source: State Auditor's Office.

Listed below are the major areas (input, process, and review) that the auditor will examine to determine whether adequate controls exist in a manual process. The controls listed are some examples that have been used in many performance measurement processes. Note that this list is not an exhaustive list and that the examples of controls given in Step 5 may sometimes be applicable to manual processes as well. Each agency and performance measurement process is different and may need more, fewer, or different controls to be effective. An important observation about controls in general is that even if a control procedure is performed, if this performance is not documented, this may constitute a factor that may prevent auditors from certifying the measure.

Input Controls

- ☆ Written procedures and guidelines should exist for the point where performance information is first recorded (e.g., applications, forms, and telephone complaints). Personnel should be trained to follow these procedures to help ensure that they have a uniform understanding of the information that is needed.
- ☆ Documents gathered at the initial point where performance information is recorded should be date-stamped or logged when they are received.
- ☆ A regular review of incoming information and data entry should be conducted.
- ☆ Agencies should obtain written documentation of third-party controls, when possible. If the third party has no controls, the agency should conduct necessary inquiries to obtain assurance that the information received is accurate.

Process Controls

- ☆ The person responsible for calculating the performance measure data should understand the origin of the information and stay up to date regarding any applicable changes.
- ☆ Written procedures for collecting and calculating the information should exist. Personnel should be trained to follow these procedures.

Review Controls

- ☆ A review of the measure calculations and summary documents should occur before performance measure information is reported.
- ☆ A review of the ABEST data entry should be conducted and documented before the submission into ABEST is complete.
- ☆ The agency should review performance measure information submitted by field offices and third parties.

Step 4 Example

The agency should have written procedures detailing its controls for the performance measure. Having written procedures for manual processes is as important as having controls for automated processes. The following are examples of controls that auditors identified during the certification process for the measure “Number of Applications Processed.”

Input Controls:

- ☆ The agency follows its written procedures for having two employees open applications received in the mail. These employees also log and date-stamp each application.
- ☆ The agency follows its written procedures for having one employee print applications received online and having another employee log and date-stamp the printed applications.
- ☆ The agency follows its written procedures for entering into a spreadsheet applicant names and dates their applications were received in the mail or online.

Process Controls:

- ☆ The agency follows its written procedures for identifying personnel responsible for processing and closing applications. The responsible personnel are trained to enter each applicant’s information into the agency’s computer system (processing) and to close the application and record the date (closing). The personnel who are responsible for processing the applications are not the same personnel who are responsible for closing the applications.

- ☆ The agency follows its written procedures for identifying personnel responsible for calculating the total “Number of Applications Processed” by summing application types M, N, O, and P that were closed during the reporting period.

Review Controls:

- ☆ The agency follows its written procedures by designating the level of personnel responsible for conducting reviews; however, the procedures do not require that reviews be documented.
- ☆ The agency has written procedures that (1) identify which supporting documents (applications) that personnel should review and (2) specify that reviews should occur on a monthly basis.

The agency has adequate input and process controls in place; however, its review controls are inadequate because the review of applications and data entry is not documented. The auditors were unable to determine whether a review occurred or how often reviews were conducted. The certification process will continue, but the agency can receive no better than a “certified with qualification” rating due to control weaknesses.

Step 5

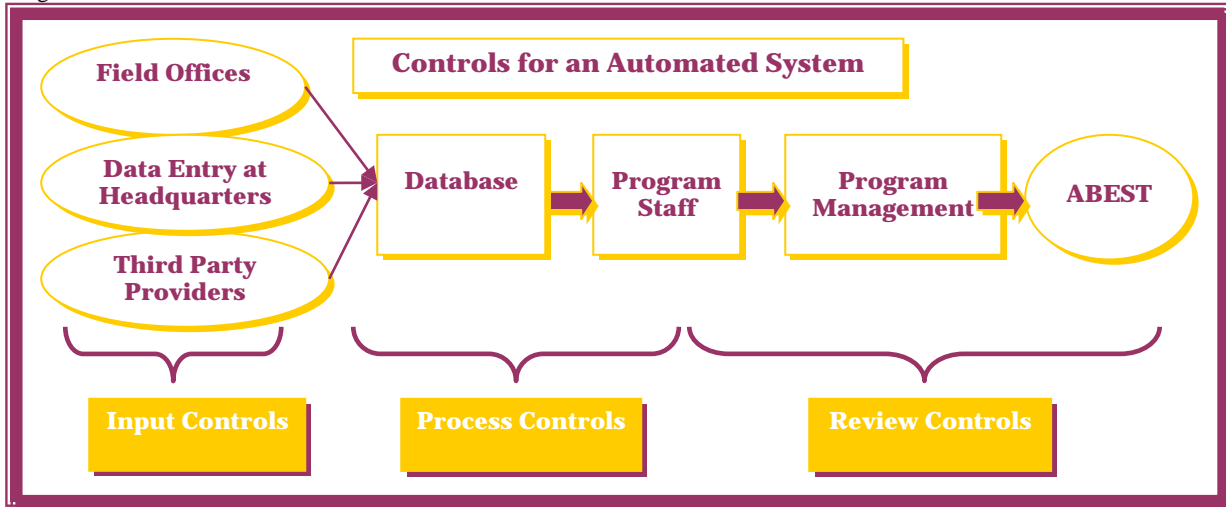
Determine Whether Adequate Controls Exist Over Performance Measure Data to Ensure Consistent Reporting of Reliable Information for Automated Systems

Controls for an Automated System with Available Source Documentation

If auditors determine that a system is automated, they will conduct steps to determine whether the information in the system is reliable. If reported performance information is kept in an automated system and source documents that can serve as corroborating evidence are available for review, the auditor will determine whether the necessary controls exist at each point in the data flow. An automated system is a system for which a computer is (1) the major source of information, (2) the most feasible way to count and store records, and (3) the mechanism used to make most calculations.

Controls will be reviewed from the initial event that begins the performance measurement process until the accumulated measure information is entered into ABEST and the submission into ABEST is complete. Figure 4 on the next page illustrates some areas in which controls should be placed in an automated system.

Figure 4



Source: State Auditor's Office.

The auditor will examine the major areas listed below (input, process, and review) to determine whether an adequate internal control structure exists for each measure. This could include automated controls within the agency's computer system. The controls listed below are some examples that have been used in various performance measurement systems. Each agency and performance measurement system is unique and may need more, fewer, or different controls to be effective. Appendix 6 gives examples of the controls for an ideal performance measurement system. An important observation about controls in general is that even if a control procedure is performed, if it is not documented, this may constitute a factor that may prevent auditors from certifying the measure.

Input Controls

- ☆ Guidelines and procedures for data entry should be well documented.
 - Data entry personnel at field offices or agency headquarters should be trained on which information to enter, how to enter the information, and the importance of accuracy and consistency. Access controls should be implemented to help ensure that only authorized personnel are performing data entry (see below for more information on data access controls).
 - The data entry supervisor or an individual other than the data entry personnel should periodically review information entered into the computer system for accuracy and document this review. Some of this review may be automated in the computer system (e.g., programs with edit and reasonableness checks).
- ☆ Controls should exist over third-party sources of information.
 - The agency should obtain written documentation of third-party providers' control structures.
 - The agency should conduct inquiries concerning third-party providers' operations to obtain assurance that the information received is reliable.

- The agency should institute any type of joint control structure necessary to verify controls. For example, the agency could be on the mailing list as a client of the third party to ensure that services are being provided as contracted.

Process Controls

- ☆ The person responsible for calculating the performance measure information should understand the origin of the information and stay up to date regarding any applicable changes.
- ☆ Procedures and controls should be in place to help ensure that the computer program used to calculate any portion of the performance measure information is capturing the correct information and is performing the correct mathematical calculations. See below for information on database security, database completeness controls, data back-up controls, and data output controls.

Review Controls

- ☆ The agency should review performance measure information submitted by field offices and third parties.
- ☆ A supervisor or another individual other than the data entry personnel should review calculations of the performance measure information to help ensure that they are consistent with the measure definition and to check for mathematical errors. This review should be documented.
- ☆ Agency audits of performance measure information are considered excellent controls. However, if audits are the only controls in place and they are not completed before the information is submitted to ABEST, then audits alone are not enough to satisfy the control requirements for certification.
- ☆ The person responsible for the accuracy of the performance measure information should review the information in ABEST before the submission into ABEST is complete.

Trouble Shooting Tips

- Internal control procedures should be documented.
- Evidence should exist to prove that reviews were conducted (such as the date of the review and reviewer's initials).

Information Technology Controls

If a number of performance measures come from a database, the following additional areas will be reviewed to better acquaint the auditor with the operations of the database:

☆ Database security, including:

- Access controls (see below).
- Physical security, including whether the agency has documented, maintained, and implemented procedures for protection against environmental factors (e.g., fire, dust, power fluctuations or outages, excessive heat and humidity), and whether the procedures are periodically tested. These procedures should include smoke or heat detection, automatic fire extinguishing system, business continuity, and climate control.

☆ Data access controls, including:

- Access authorization (e.g., a supervisor or department head approves certain individuals to use the system).
- Limitations on uses of the system for authorized users (e.g., approved system users may be able to perform various levels of transactions within the system; some users may have read-only access, entry access, or approval access).
- Segregation of duties for data entry and review (e.g., the person who approves the data entry is different from the person who enters the data).
- Documented policies regarding access authorization and approval (e.g., the policies specify what position within the agency approves access authorization and how approval for access is documented).
- Access termination or changes (e.g. access is terminated or changed when an employee resigns or job duties are modified).
- Regular periodic review of user access (e.g. a documented check of who has access, their levels of access, and whether other applicable data access controls are still in place for each user who has access).

Trouble Shooting Tips

For more assistance with developing or improving controls for an automated system, see:

- Title 1, Texas Administrative Code, Chapter 202.
- The Information Systems Audit and Control Association at www.isaca.org.

☆ Data completeness controls that provide reasonable assurance that data is processed in its entirety (e.g., that all data entered into and accepted by the computer is updated to the proper file), including:

- Documented reconciliations of data with input documentation. This could detect any errors in the computer reports if, for example, a new program is added to the performance measure, but the computer report is not reprogrammed for the additional information.
- Documented reviews and reconciliations of the data in the system to data submitted for processing.

☆ Data back-up controls, including:

- Documented policies and procedures (e.g., back-up frequency, making an employee responsible for creating and maintaining back-ups, testing of back-up information, and storing back-up tapes and/or files).
- Frequent back-up processes to help ensure that data is backed up regularly (e.g., daily, weekly, or monthly).
- Documented reviews and verifications of backed up data (e.g., agency personnel review the backed up data to help ensure that it is accurate and complete).
- Storage of back-ups in a secure, environmentally safe, and locked facility to protect the backed up data from theft, alteration, or destruction.
- Security and maintenance of back-up hardware to ensure that the equipment functions properly, is protected from environmental factors, and is not accessible to unauthorized individuals.

Trouble Shooting Tips

If databases write over existing information, supporting information should be archived to document information reported during the reporting period. Examples of ways to store this data are:

- Electronic tapes.
- Paper/ Imaged files.
- Archived back-ups.

☆ Data output controls, including:

- Controls to help ensure the results of computer processing are authorized, accurate, complete, timely, consistent, relevant, and useful for their intended purposes; properly distributed on a timely basis; and properly retained.
- Controls that address review of output, output distribution, and handling procedures (e.g., agency personnel other than the person who entered the data should review the output; only certain individuals within the agency should receive data output products; procedures related to how data output reports should be distributed, and what position within the agency responsible for the approval of the release of data should be identified).

Controls for an Automated System with Limited or No Available Source Documentation

If the reported performance information is kept on an automated system and source documentation is limited or not available for review, the auditor may determine that a more detailed assessment of controls is necessary and will determine whether the necessary controls exist at each point in the current data flow. In this situation, controls become the major consideration when certifying performance measures. A computerized audit trail showing all changes made to the records must exist in order to proceed with the certification process.

“Source documents limited or not available” means that a great deal of the system is paperless and, as part of this system, documents are not kept or are kept only in a limited form or otherwise cannot serve as corroborating evidence. “Source documents limited or not available” does not mean the documents were available at one time but were subsequently destroyed. For example, an application may be entered directly on-line into a computer system, so there would be no hard copy documentation. Controls will be reviewed from the initial event that begins the performance measurement process until the accumulated measure information is entered into ABEST and the submission into ABEST is complete.

Controls for automated systems (input, process, and review controls listed in the previous section) are more critical when there is no source documentation.

Step 5 Example

Example of Controls for an Automated System with Available Source Documentation

This example includes various processes and associated controls the auditors identified during the certification process for the performance measure “Number of Applications Processed” for a combined automated and manual system.

Examples of computer-processed data include but are not limited to:

- ☆ Data extracts from databases, data warehouses, or data repositories.
- ☆ Data maintained in Microsoft Excel or Access or similar commercial products.
- ☆ Data extracts from enterprise software applications supported by information technology departments or contractors.
- ☆ Public use data or other replicated detail or summary-level databases accessible through an application other than the original source system.
- ☆ Data collected from forms and surveys on Web portals.
- ☆ Data summarized in a report or copied from a table in a document.

Input Controls:

- ☆ Data entry personnel at the agency are trained to enter application information into the agency's computer system. There are written procedures detailing the process for receiving the applications and entering them into the computer system.
- ☆ Access to the system is limited to authorized personnel; however, all authorized personnel have unrestricted access (e.g., data entry and approval).
- ☆ The system that the agency uses to capture the application data has built-in edit checks and reasonableness checks (e.g., data entry personnel are not able to enter a future date for an applicant's date of birth, and numeric data fields will not accept alpha characters).

Process Controls:

- ☆ The person entering the performance measure information has a good understanding of the data submitted to ABEST. In addition, the person calculating total applications understands the measure definition and ensures that the information computed is consistent with the measure definition.
- ☆ The agency follows its written procedures for the steps taken to compute "Total Number of Applications Processed."
- ☆ The computer system and its related program code used to compute the total quarterly applications are tested periodically to help ensure that they are calculating the proper number of applications.

Review Controls:

- ☆ The agency follows its written guidelines, which detail who is responsible for reviews, the frequency with which reviews are to be performed, and how reviews are to be documented. Reviews are conducted monthly by the department's supervisor and are documented with the supervisor's signature and date.
- ☆ The agency follows its written procedures for reviewing the measure calculations and summary documents before performance measure information is entered into ABEST. After performance measure information is entered into ABEST, it is reviewed before the submission into ABEST is complete. Both reviews are documented with a supervisor's signature and date.

The agency has adequate process and review controls in place; however, its input controls are inadequate because all authorized personnel have unrestricted access to the system. As a result, data can be entered and reviewed by the same employee. This lack of segregation of duties makes it less likely for errors to be detected. The certification process will continue, but the agency can receive no better than a "certified with qualification" rating due to this control weakness.

Step 6

Obtain a List of Items to Sample from the Agency

The auditor will request a list of all items for the total number reported in ABEST for the reporting period. The agency should be capable of producing a list of all items counted for a particular measure for the current reporting period or a previous reporting period. There must be a traceable link between the total number reported to ABEST and the total of the individual items that make up that number in order for the auditor to verify the population.

If these items are numerous, the agency may be asked to write a program to select a subset with specific fields of the records from which the auditor can choose a random sample.

How does the SAO determine the sample size?

Certification is a form of compliance testing. The SAO uses predetermined sample sizes as established by the American Institute of Certified Public Accountants (AICPA).

Step 7

Choose a Sample

In sample testing, auditors are approximating a margin of error of plus or minus 5 percent. If the controls over the accuracy of the measure are strong, the sample size is 29. If the controls are moderate, the sample size is 46. If the controls are weak, the sample size is 61. In addition, if one error is found during testing of the sample of 29, the sample is expanded to 46. If two errors are found, the sample is expanded to 61. If at any time during the testing of the sample of 61, 3 total exceptions are noted, the measure is inaccurate and no additional testing is necessary.

Samples are chosen in a systematic way, whether source documents are on site or in field offices. Examples of methodologies for selecting a sample include using a random number generator, selecting a judgmental sample, or choosing every “nth” item. If the total number of actual documents is fewer than 29, all documents are tested.

Step 8

Test the Source Documentation for Accuracy

Adequate source documentation that may serve as corroborating evidence for data reliability testing should be available. Adequate source documentation consists of the following:

- ☆ Documents that support the number reported to ABEST.
- ☆ Documents that are associated with the events that prove the activity occurred.
- ☆ Computer files for online records that support the number reported in ABEST.

Source documents kept in remote locations, in field offices, or by third-party sources must be made available for review. This may require having documents shipped to a specified location, having documents faxed to the auditor, providing imaged files for review, or having the auditor go to the location where the source documents are maintained.

It is possible that during the audit, the auditor will need to view documents that the agency considers confidential. The documents will remain confidential because SAO working papers are not subject to the Open Records Act, as noted in Texas Government Code, Section 552.116. Additionally, the SAO has the authority to view all documents necessary to complete an audit, as noted in its enabling legislation, Texas Government Code, Section 321.013(e).

If source documentation is not available, auditors will have to make determinations based on the tests of controls as indicated in step five. “Limited or no available source documentation” means that the system tracking the performance measure does not start from documents or produce source documents. For example, an application may be entered directly into a computer system, so there would be no hard copy documentation. “Limited or no available source documentation” does not mean that the documents were available at one time and subsequently destroyed.

All applicable computer-processed data should also be available for testing (see step 5). When controls are tested using current data, the current fiscal year’s data will be used to determine whether the controls work properly. If the results of the current fiscal year’s test identify no errors, and if controls have not changed from year to year, the auditor can be confident that the previous fiscal year’s information was accurately collected. If the controls and calculations are verified, the measure will be “certified.”

Step 9

Determine Each Performance Measure’s Certification Category

Measures are designated as either “certified,” “certified with qualification,” “factors prevented certification,” or “inaccurate.” These categories are assigned based on a combination of the adequacy of the controls over a measure and the results of testing a sample of source documents. A performance measure result is considered reliable if it is certified or certified with qualification. The following are explanations for the four certification categories:

- ☆ 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. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but the deviation caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

- ☆ A measure is **Inaccurate** when the actual performance is 5 percent or greater than the reported performance, or when there is a 5 percent or greater error rate in the sample of documentation tested. A measure also is inaccurate if the agency's calculation deviated from the measure definition and caused a 5 percent or greater difference between the number reported to ABEST and the correct performance measure result.

- ☆ **Factors Prevented Certification** 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 measure definition and the auditor cannot determine the correct performance measure result.

Results of the performance measures audit are published in a public report to be used by the LBB, GOBPP, and the Legislature. These results are presented in a table that contains the reference for the related objective or strategy, measure name, classification of measure, results reported in ABEST, and certification results. Findings and recommendations are developed for each measure that is not certified. Audited agencies will provide management responses to address each of the recommendations. Those responses will be published in the public report.

Appendix 1

Glossary

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.
Certification Audit	An examination by the State Auditor's Office to determine the accuracy of a state entity's reported performance data.
Completeness	The extent to which relevant records are present and the fields in each record are populated appropriately.
Computer-processed Data	Data entered into a computer system or resulting from computer processing.
Control System	See Internal Control System.
Cumulative Measure	A measure for which one quarter's performance can be added to a previous quarter's performance to obtain year-to-date performance; measures reported only once a year are non-cumulative.
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, agency resources, or requests received that affect or explains an agency's performance.
GAA	The General Appropriations Act.
Goal	A general end toward which a state entity directs its effort.
GOBPP	Governor's Office of Budget, Planning, and Policy.
Input Controls	Processes developed by a state entity to provide reasonable assurance that the data introduced into the performance measurement system is accurate.
Input Measure	A quantifiable indicator of the resources used or requests received by a state agency to produce its goods or services.

Internal Control System	All procedures developed by state entities to help ensure the accuracy of reported data, including input controls, process controls, and review controls.
Key Performance Measure	Performance measures that serve as budget drivers and are included in the General Appropriations Act.
LBB	Legislative Budget Board.
Non-Cumulative Measure	A measure that, in order to determine year-to-date performance, must be calculated for the entire reporting period and not on the basis of adding together the performance from separate reporting periods. Any measure calculated and reported only once per year is non-cumulative, including all outcome and explanatory measures.
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 actual entity performance during a time period and the performance targeted for that measure by the General Appropriations Act.
Process 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.
SAO	State Auditor's Office.
Source Documentation	Materials maintained by a state entity to substantiate the accuracy of reported performance data. These materials should be specified in measure definitions.
Strategic Planning	A long-term, iterative, and future-oriented process of gathering information, setting goals, determining priorities, and making decisions.

Strategic Planning and Performance Budgeting (SPPB)

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.

Target

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

Appendix 2

Calendar of Performance Measurement Events

Even Years

<p style="text-align: center;">JANUARY</p> <ul style="list-style-type: none"> Statewide goals established by the Legislative Budget Board (LBB) and Governor's Office of Budget, Planning, and Policy (GOBPP). Strategic planning instructions issued. First quarter performance report due to LBB. 	<p style="text-align: center;">MARCH</p> <ul style="list-style-type: none"> Agencies request changes to budget structures and performance measures. 	<p style="text-align: center;">APRIL</p> <ul style="list-style-type: none"> Budget request instructions issued. Second quarter performance report due to LBB. Higher education performance report due to LBB. 	
<p style="text-align: center;">JUNE</p> <ul style="list-style-type: none"> Budget structure changes approved by LBB and GOBPP. Agencies strategic plans due. 	<p style="text-align: center;">JULY</p> <ul style="list-style-type: none"> Third quarter performance report due to LBB. 	<p style="text-align: center;">AUGUST</p> <ul style="list-style-type: none"> Budget requests due to LBB and GOBPP. Budget hearings held by LBB and GOBPP. 	
<p style="text-align: center;">SEPTEMBER</p> <ul style="list-style-type: none"> Budget hearings held by LBB and GOBPP. 	<p style="text-align: center;">OCTOBER</p> <ul style="list-style-type: none"> Fourth quarter performance report due to LBB. 	<p style="text-align: center;">November</p> <ul style="list-style-type: none"> Fourth quarter higher education performance report due to LBB. 	<p style="text-align: center;">DECEMBER</p> <ul style="list-style-type: none"> Budget recommendations developed by LBB and GOBPP. Annual performance assessment report issued by LBB.

Odd Years

<p style="text-align: center;">JANUARY</p> <ul style="list-style-type: none"> Budget recommendations submitted to the Legislature by LBB and GOBPP. First quarter performance report due to LBB. 	<p style="text-align: center;">FEBRUARY</p> <ul style="list-style-type: none"> Budget mark-up. 	<p style="text-align: center;">MARCH</p> <ul style="list-style-type: none"> Budget mark-up. 	<p style="text-align: center;">APRIL</p> <ul style="list-style-type: none"> Budget mark-up. Second quarter performance report due to LBB. Higher education performance report due to LBB.
<p style="text-align: center;">MAY</p> <ul style="list-style-type: none"> Budget approved. 	<p style="text-align: center;">JUNE</p> <ul style="list-style-type: none"> Budget sent to Governor for signature. Budget sent to Comptroller of Public Accounts for certification. 		<p style="text-align: center;">JULY</p> <ul style="list-style-type: none"> Third quarter performance report due to LBB.
<p style="text-align: center;">SEPTEMBER</p> <ul style="list-style-type: none"> Operating budget instructions issued by LBB and GOBPP. 	<p style="text-align: center;">OCTOBER</p> <ul style="list-style-type: none"> Fourth quarter performance report due to LBB. 	<p style="text-align: center;">NOVEMBER</p> <ul style="list-style-type: none"> Agency operating budgets due to LBB and GOBPP. Fourth quarter higher education performance report due to LBB. 	<p style="text-align: center;">DECEMBER</p> <ul style="list-style-type: none"> Annual performance assessment report issued to LBB.

Appendix 3

Performance Measure Types, Uses, and Examples

Types of Performance Measures

Type	Measure	Examples of Measures
Outcome (Results/ Impact)	Assesses an agency's effectiveness (results or impact) in serving its key customers and in achieving its mission, goals, and objectives.	<ul style="list-style-type: none"> - Percentage of University Students Graduating in Four Years - Percentage of Licensed Establishments Inspected Annually - Percentage of Licensees With No Violations
Output (Volume)	Quantifies an agency's workload, such as the goods and services it provides.	<ul style="list-style-type: none"> - Number of Dual Diagnosis Clients Served for Substance Abuse - Number of Inspections Conducted - Number of Employee License Applications Processed
Efficiency	Assesses the cost-efficiency, productivity, and timeliness of agency operations.	<ul style="list-style-type: none"> - Average Cost Per Case - Average Cost Per Inspection - Average Time for Complaint Resolution
Explanatory	Defines the agency's operating environment and explains factors that affect agency performance.	<ul style="list-style-type: none"> - Percentage of Medical School Graduates Entering a Primary Care Residency - Number of Business Facilities Registered - Number of Cases Received

Use of Key and Non-key Measures

How a Measure Is Used	Key	Non-key ABEST	Non-key, Non-ABEST
In Legislative Appropriations Request?	Yes	Yes	No
In the General Appropriations Act?	Yes	No	No
In operating budget?	Yes	Yes	No
Reported quarterly/annually?	Yes	Yes*	No
Subject to certification?	Yes	Intermittently	No
Used by Legislature?	Yes	Yes	Intermittently
Used by budget offices?	Yes	Yes	Intermittently
Used by agency management?	Yes	Yes	Yes

*Reported through Legislative Appropriations Requests and operating budgets.

Examples of Outcome Versus Output Measures

Outcome Measure	Output Measure
Percent of Adults Who Complete Treatment Programs and Report No Past Month Substance Use at Follow-up	Number of Adults Served in Treatment Programs for Substance Abuse
Percent Increase in Fall Student Headcount Enrollment Since Fall 2000	Increase in Fall Student Headcount Enrollment Since Fall 2000
Percent of Licensees Who Renew Online	Number of Individual Licenses Renewed

Performance Rewards and Penalties

Article IX of the General Appropriations Act (82nd Legislature)

Sec. 6.13 Performance Rewards and Penalties.

- (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.
- (c) Upon a finding that an agency or institution has successfully met or exceeded performance expectations, or has failed to achieve expected performance levels, the Legislative Budget Board and the Governor, may adopt a budget execution order, which may include but is not limited to, one or more of the following:
 - (1) Positive Incentives/Rewards - Increased funding, exemption from reporting requirements, increased funding transferability, formalized recognition or accolade, awards or bonuses, expanded responsibility, or expanded contracting authority; or
 - (2) Negative Incentives/Redirection - Evaluation of outcome variances for remedial plan, reduction of funding, elimination of funding, restriction of funding, withholding of funding, reduction of funding transferability, transfer of functional responsibility to other entity, recommendation for placement in conservatorship, direction that a management audit be conducted or direction that other remedial or corrective actions be implemented.

- (3) The Legislative Budget Board may develop and maintain rules and procedures for the implementation of the above provisions.
 - (4) The Legislative Budget Board may request comments from the State Auditor's Office regarding performance penalties and rewards.
- (d) To further foster, support, and reward outstanding performance, ongoing productivity improvements and innovative improvement programs, and to retain key high performing employees, qualified state agencies and institutions may expend amounts necessary from funds appropriated in this Act for the purposes of enhancing compensation for employees who directly contributed to such improvements. Only classified employees (including classified employees of institutions of higher education) are eligible for enhanced compensation, and this award shall not exceed 6.8 percent of an employee's annual base pay. To be eligible for this provision, an agency or institution must:
- (1) Achieve or exceed targets for 80 percent of the established key performance measures:
 - (A) For fiscal year 2012, eligibility shall be determined by the Legislative Budget Board based on performance reported to the Automated Budgeting and Evaluation System of Texas (ABEST) for fiscal year 2011;
 - (B) For fiscal year 2013, eligibility shall be determined by the Legislative Budget Board based on performance reported to ABEST for fiscal year 2012; and
 - (2) Have an unqualified certification for at least 70 percent of its performance measures as shown by its most recent certification review by the State Auditor's Office; and
 - (3) File a report with the Comptroller, Legislative Budget Board, Governor, House Appropriations Committee, and Senate Finance Committee describing the success of the innovative program and criteria used to assess the improvements; and
 - (4) Sixty days prior to implementation file a report with the Comptroller, Legislative Budget Board, Governor, House Appropriations Committee, and Senate Finance Committee describing in detail how the agency intends to use this flexibility to further the goals of this section.

Performance Budgeting and Reporting

Excerpts from Article IX of the General Appropriations Act (82nd Legislature)

Sec. 7.01. Budgeting and Reporting.

(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 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.

Examples of Controls for a Performance Measurement System

Controls are an important part of a performance measurement system. The purpose of controls is to ensure that accurate data will be continually reported. The following documentation provides examples of controls for a performance measure system. The controls may vary by agency depending on where the data originates and is stored, as well as the complexity of the performance measure.

The controls are numbered to correspond with the boxes in Figure 5 (on page 52). The chart has three major sections: *input controls*, numbers 1 through 3; *process controls*, numbers 4 and 5; and *review controls*, numbers 6 through 9.

Input Controls:

Number 1 - Field Offices

The field offices have the following controls:

- ☆ Documented guidelines and procedures for data entry are developed and used consistently.
- ☆ Data entry personnel are trained on which information to enter, how to enter the information, and the importance of accuracy and consistency. Additionally, accuracy often increases if the personnel are familiar with the measure definition and methodology.
- ☆ Information received through the mail or by telephone (e.g., applications, forms, and telephone complaints) is date-stamped or logged when received.
- ☆ The data entry supervisor reviews information entered into the computer system for accuracy and documents this review.

Number 2 - On-Site Entry

The on-site data entry personnel should implement the same controls listed for the field offices.

Number 3 – Third-party Sources

The third-party sources of information should have controls similar to those expected in the agency. Additionally, the agency should perform the following activities to ensure that it is receiving accurate information:

- ☆ The agency should obtain written documentation of the control structure from third-party providers.
- ☆ The agency should conduct inquiries concerning the third-party providers' operations to ensure that the information received is accurate.

- ☆ The agency should institute any joint control structure necessary to verify controls. For example, the agency could be on the mailing list as a client of the third party to ensure that services are being provided as contracted.

Process Controls:

Number 4 - Database

The database should contain elements of both input and process control structures. The input controls that should surround the database are as follows: the main office should periodically review information entered into the database from the field offices, third-party providers, and on-site data entry personnel for accuracy, edit checks, logic checks, reasonableness checks, and access controls. This review should be documented. The database should be assessed periodically for data reliability which includes a review of application and general controls.

The process controls that should surround the database include the following:

- ☆ The computer program and its related program code used to calculate any portion of the performance measure information should be reviewed to ensure it is capturing the correct information and is performing the correct mathematical calculation as stated in the measure definition and methodology. For example, an automated program at a licensing agency may be calculating the “Number of Licenses Renewed” measure using 4 different types of licenses but the measure definition says to calculate the measure using 3 license types.
- ☆ The database should have all of the basic computer controls, such as edit totals, audit trails, logical access security, and back-up procedures.

Number 5 - Program Staff

Program staff includes the people responsible for collecting and calculating the performance measure information. These staff members (or program management, depending on agency organization) should communicate with the field offices, third-party providers, and on-site data entry personnel to express the importance of receiving accurate and consistent data and to inform the personnel of how the data is used. If the measure is calculated using an information system, the program staff should be familiar with the parameters used by the system to calculate the measure. In addition, the program staff should ensure that any changes to the performance measure definition or methodology is reflected in the system used to calculate the measure. The following controls apply to program staff:

- ☆ Program staff should understand the origin of the information and stay up to date regarding any applicable changes. For example, if a measure tracks the number of complaints resolved per 100 complaints received, then program staff should determine whether the computer divides the initial inputs by 100 or whether staff members need to calculate it manually.
- ☆ Written procedures for collecting and calculating measure information should exist. Program staff members should be trained on these procedures.

Review Controls:

Number 6 - Program Management

Program management includes the people who supervise the program staff. Program managers should communicate results to executive management and end users. Communication with executive management helps ensure that information executive management wants to be measured is being measured or can be measured. Program managers should review calculation of the performance measure information to ensure that the calculation is consistent with the measure definition and to check for mathematical errors. This review should be documented, signed, and dated by a supervisor.

Number 7 - Performance Measure Results

These are the final numbers for a performance measure. These numbers are entered into the Automated Budget and Evaluation System of Texas (ABEST) and used by executive management to make decisions concerning the organization. Agency audits of performance information are considered excellent controls. However, if audits are the only controls in place and they are not completed before the information is submitted to ABEST, then audits alone are not enough to satisfy the control requirements for certification.

Number 8 - ABEST

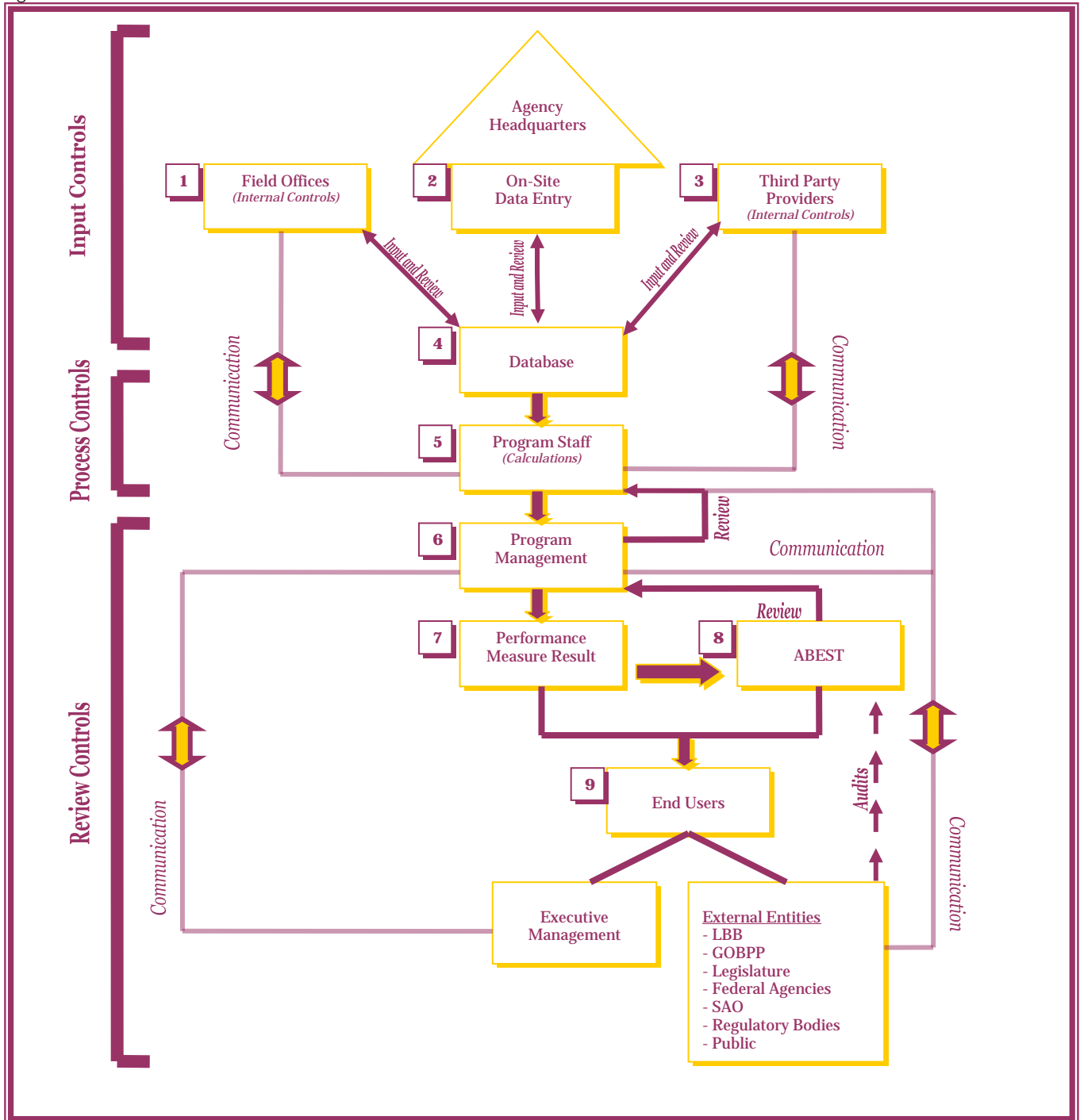
ABEST is the final destination of performance measurement information. External parties can use and access performance measure information in ABEST. Management should ensure that information entered into ABEST is reviewed for accuracy by a different person than the one who entered the data before the submission into ABEST is complete. This review should be documented.

Number 9 - End Users

Anyone who is not directly involved in the production of performance measure information is considered an end user. Executive management's role in performance measurement controls is to ensure that the agency has an adequate and functional control structure. Other outside entities such as the Legislative Budget Board (LBB), Governor's Office of Budget, Planning, and Policy (GOBPP), State Auditor's Office (SAO), and the federal government will monitor and/ or audit the performance measurement results.

Model of a Performance Measurement System with an Example Control Structure

Figure 5



This graph illustrates examples of controls for a performance measurement system that would help ensure that performance data is reported accurately and efficiently.

Selected Online Resources for Performance Measurement-related Information

American Society for Public Administration
<http://www.aspanet.org>

Council of State Governments
<http://www.csg.org>

Finance Project
<http://www.financeproject.org/>

Governing Magazine
<http://www.governing.com>

Governmental Accounting Standards Board
<http://www.seagov.org/index.shtml>

National Academy of Public Administration
<http://www.napawash.org>

National Center for Public Productivity
<http://spaa.newark.rutgers.edu/home/ncpp.html>

National Conference of State Legislatures
<http://www.ncsl.org/>

Performance Institute
<http://www.performanceweb.org/>

Public Performance Measurement and Reporting Network
<http://www.ppmrn.net/>

Texas State Auditor's Office
<http://www.sao.state.tx.us/>

Texas Governor's Office
<http://www.governor.state.tx.us/>

Texas Legislative Budget Board
<http://www.lbb.state.tx.us/>

U.S. Department of the Treasury
<http://www.ustreas.gov/>

U.S. Government Accountability Office
<http://www.gao.gov/>

Urban Institute
<http://www.urban.org/>

Examples of Performance Measure Definitions

The following are examples of good performance measures and definitions that Texas agencies have developed as part of the Strategic Planning and Performance Budgeting System. Each of these definitions not only contain all of the properties identified on page 14, but they also have fully developed each of these elements.

- Agency:** Department of Family and Protective Services
- Goal:** In collaboration with other public and private entities, protect children from abuse and neglect by providing an integrated service delivery system that results in quality outcomes.
- Objective:** By 2015, provide or manage a quality integrated service delivery system for 70 percent of children at risk of abuse/neglect and mitigate the effects of maltreatment and assure that confirmed incidence of abuse/neglect does not exceed 10.9 per 1,000 children.
- Strategy:** Provide caseworkers and related staff to conduct investigations and deliver family-based safety services, out-of-home care, and permanency planning for children who are at risk of abuse/neglect and their families.

EXAMPLE ONE

Outcome Measure

Percent Absence of Maltreatment Within Six Months of Intake (CPS)

Definition

Absence of Repeat Maltreatment is the percent of all children who were confirmed victims of a validated report of maltreatment during the first six months of the reporting period who did not have a subsequent validated instance of maltreatment within a six-month period.

Purpose/Importance

The purpose of this measure is to assess the degree to which children did not experience maltreatment after an initial validation of maltreatment in the CPS system of care. This measure is intended to monitor the occurrence of repeat maltreatment within six months. This measure is one of the National Standard Data Indicators (Safety Indicator 1) used to assess states' performance on the Federal Child and Family Service Review.

Source/Collection of Data

Information Management Protecting Adults and Children in Texas (IMPACT)

Method of Calculation

Divide the total number of unique confirmed victims in investigations completed during the first six months of the reporting period for whom there is not a second validated maltreatment for abuse or

neglect in a completed investigation where the difference between the two intake dates is between 3 and 183 days (numerator) by the total number of unique confirmed victims in completed investigations where the investigation stage closure date is within the first six months of the reporting period (denominator) and divide by 100 to achieve a percentage. Should the federal methodology change, the agency will work with the Legislative Budget Board (LBB) to update the measure definition in the Automated Budget and Evaluation System of Texas (ABEST).

Data Limitations

None.

Calculation Type: Non-Cumulative

New Measure: No

Target Attainment: Higher than target

EXAMPLE TWO

Output Measure

Number of Completed CPS Investigations

Definition

A completed CPS investigation is when the agency has reached a finding on abuse/neglect. The completion is determined by investigation stage closure date. The investigation stage closure date cannot be null and must occur during the reporting period.

Purpose/Importance

The purpose of this measure is to track the number of investigations of child abuse/neglect completed by CPS staff during the reporting period. This measure provides useful information for management purposes. It is helpful for noting variances and determining resource allocation.

Source/Collection of Data

IMPACT

Method of Calculation

Count the number of completed CPS investigations where the investigations stage closure date is during the reporting period and the disposition has been determined regarding the allegations of child abuse/neglect. The annual or year-to-date count will be the sum of all completed investigations during the reporting period.

Data Limitations

Measure does not count investigations completed by the caseworker that are awaiting supervisory closure.

Calculation Type: Cumulative

New Measure: No

Target Attainment: Lower than target

EXAMPLE THREE

Efficiency Measure

CPS Daily Caseload per Worker: Investigation

Definition

This measure provides the average daily caseload for CPS investigation caseworkers. Supervisors carrying investigation cases are not included in the definition of investigation caseworker. Investigation workers are defined by a unit designation of 00-89 in the DEPTID data element stored in HHSAS-HR.

Purpose/Importance

This measure is an indicator of an average amount of work handled each day by a CPS investigation caseworker. The intent is to approximate what a caseworker would state if asked about the workload being managed.

Source/Collection of Data

For each day during the reporting period, count stages from IMPACT that were open at any time during the day and for which the primary assignment is to a CPS investigation caseworker with the appropriate job class and unit designation paid out of Strategy A.2.1 in HHSAS-HR. The following stages are included: Intake (INT) (if not progressed to INV the same day), Investigation (INV), Family Preservation (FPR), Sub Care Child (SUB; including children reunified), Family Sub Care (FSU), Adoption (ADO), Foster/Adopt Home Development (FAD; if approved or receiving casework services) and Kinship (KIN).

For numerator, count stages assigned to caseworkers that were open during the day for each day during the reporting period if the primary assignment is to an investigative caseworker paid out of Strategy A.2.1 in HHSAS-HR and assigned to DEPTID 00-89.

For the denominator, calculate the total number of investigation caseworkers with primary assignments for each day during the report period, excluding trainees with less than 85 days of service. Trainees with 85-140 days of service are counted as half (0.5) a worker.

Due to possible modifications in the FPS fiscal system, PACs, job classes and DEPTIDs are subject to change. Should this occur, current equivalent codes will be substituted and documented in performance folder.

Method of Calculation

Divide the numerator (sum of all daily case counts) for the reporting period by the denominator (sum of all daily caseworkers counts) during the reporting period. When calculating the 2nd, 3rd, and 4th quarters, the year-to-date total is recalculated. Values reported in ABEST are updated each year-end ("fifth" quarter) up to and including the close of the appropriation year. Values reported in ABEST are also updated as required to ensure that data reflected is accurate and reliable.

Data Limitations

Data from HHSAS-HR is point in-time at the end of the month, so if a worker changed DEPTIDs during the month, only the last one for the month is captured.

Calculation Type: Cumulative
New Measure: No
Target Attainment: Lower than target

EXAMPLE FOUR

Explanatory Measure

Percent of CPS Workers with Two or More Years of Service

Definition

CPS caseworkers providing direct services to clients are identified with the following job class codes: 1353C CPS Senior Investigator; 5024C CPS Investigator II; 5024F Faith Based CPS Specialist II; 5024K Kinship Caregiver CPS Specialist II; 5024 CPS Spec II; 5025C CPS Investigator III; 5025F Faith Based CPS Specialist III; 5025K Kinship Caregiver Specialist III; 5025 CPS Specialist III; 5026C CPS Investigator IV; 5026F Faith Based CPS Specialist IV; 5026K Kinship Caregiver CPS Specialist IV, 5026 CPS Specialist IV; 5027C CPS Investigator V, and 5027 CPS Specialist V specifying CPS direct delivery staff. Staff tenure is calculated from date of hire.

Purpose/Importance

This measure is a useful indicator of staff competencies and a general reflection of staff satisfaction.

Source/Collection of Data

Information for this measure is taken quarterly from HHSAS-HR.

Due to possible modifications in the FPS fiscal system, PACs, service codes and/or worker classification codes are subject to change. Should this occur, the current equivalent codes will be substituted and documented in the performance folder.

Method of Calculation

Divide the total number of CPS direct delivery caseworkers with two or more years of service (numerator) by the total number of CPS direct delivery caseworkers (denominator) and multiply by 100 to achieve a percentage.

Data Limitations

None

Calculation Type: Non-cumulative
New Measure: No
Target Attainment: Higher than target

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