

GUIDE TO PERFORMANCE MEASURE MANAGEMENT

2000 EDITION

**John Keel, CPA, Director
Legislative Budget Board**

**Albert Hawkins, MPA, Director
Governor's Office of Budget and Planning**

**Lawrence F. Alwin, CPA, State Auditor
State Auditor's Office**

**December 1999
SAO No. 00-318**

Table of Contents

Introduction

What is the purpose of this Guide?	1
What's new in the 2000 Edition?	1

Section 1:

Performance Measures in the Strategic Planning and Performance Budgeting System

What is the Strategic Planning and Performance Budgeting System?.....	3
How are performance measures used in Strategic Planning and Performance Budgeting System?	3
What progress has been made in implementing the objectives for the Strategic Planning and Performance Budgeting System?	5

Section 2:

Oversight of Performance Measurement Systems

What is the expectation of the Governor and the Legislature for the involvement of agency management with performance measures?	7
Why should performance measures be important to agency management?	7
What constitutes a good performance measurement system?.....	8

Section 3:

Performance Measures and Supporting

What are the characteristics of the measures used in the Strategic Planning and Performance Budgeting System?.....	9
What is the process for developing, maintaining and using performance measure information?	9

Section 4:

Performance Monitoring by Oversight Entities

What are agencies expected to report for performance monitoring?.....	15
How do the LBB and GOBP assess reported measures data?.....	15
How do other agencies monitor performance?	16
How do the LBB and GOBP use measures to make funding recommendations?	16
How is performance data used to assess performance rewards and penalties?.....	16

Section 5:

Auditing Performance

What is the role of the State Auditor's Office in the Strategic Planning and Performance Budgeting System?.....	19
How are agencies selected for an audit?	19

Table of Contents Concluded

What are the steps in the SAO audit of performance measures?	19
How do other related reviews affect the performance measures certification audit?	29

Appendices

1 - Glossary.....	31
2 - Calendar of Performance Measurement Events.....	33
3 - Measure Types, Uses, and Examples	34
4 - Performance Rewards and Penalties Provision	35
5 - Performance Measures Self-Assessment Tool	37
6 - Examples for Auditing Performance Measures	38
6.1 - Step 2 Examples	38
6.2 - Step 3 Examples	39
6.3 - Step 4 Examples	40
6.4 - Step 6 Examples	41
7 - Ideal Controls for a Performance Measurement System.....	44
Model of Performance Measurement System with Ideal Control Structure.....	47
8 - Selected On-Line Resources for Performance Measurement-Related Information.....	48
9 - Examples of Measure Definitions.....	49

☆☆☆ Introduction ☆☆☆ 2000 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 in order to maintain its integrity and usefulness over time.

What is the purpose of this Guide?

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

- ☆ Identify the Governor's and Legislature's expectations for agency management's involvement with performance measures.
- ☆ Explain the role of performance measures within the Strategic Planning and Performance Budgeting 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 and Planning (GOBP), 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 measure certification audits by explaining the audit process.
- ☆ Provide agencies with information on the importance of using performance measures.

What's new in the 2000 Edition?

The State Auditor's Office (SAO), the Legislative Budget Board (LBB), and the Governor's Office of Budget and Planning (GOBP) released the original version of the *Guide to Performance Measurement* in 1995. The 2000 Edition has been updated with the latest information, and it contains expanded sections to give agencies additional guidance. This edition also includes new sections on performance rewards and penalties, management's use of performance measures, and information on the SAO's new Performance Measurement Self-Assessment Tool. Executive management should take special note of Section 2, Oversight of Performance Measurement Systems.

Appendix 8 contains a reference list of websites that agencies may use to obtain additional information about performance measurement-related issues.

This page intentionally left blank.

Section 1:

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

What is 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 in Texas into the State's appropriations process. The SPPB System is used to make state funding decisions based on whether state agencies are accomplishing expected results.

The SPPB System has three major components: strategic planning, performance budgeting (the General Appropriations Act [GAA] and agency operating budgets), and performance monitoring. The agencies' strategic plans are five-year planning documents that contain the missions, goals, and objectives that they wish to accomplish and the measures with which they will track their success. The GAA operates as the State's budget by allocating resources and setting performance targets based on the strategies identified by agencies in their strategic plans. The agency operating budgets provide a further breakdown of the funds allocated in the GAA and shows agencies' projected performance. Performance is reported by agencies and monitored by the budget offices on a frequent basis. Each of these components is interrelated and involves performance measures as a critical element in the SPPB System.

How are performance measures used in Strategic Planning and Performance Budgeting System?

Performance measures are an essential part of SPPB. Performance measures are:

- ★ Part of each agency's strategic plan; they indicate how progress toward agency goals and objectives will be measured
- ★ Used by decision-makers in allocating resources and determining appropriation levels
- ★ Intended to help focus agency efforts on achieving priority goals and objectives
- ★ Monitoring tools to help guide government and make it accountable to the taxpayer

Figure 1

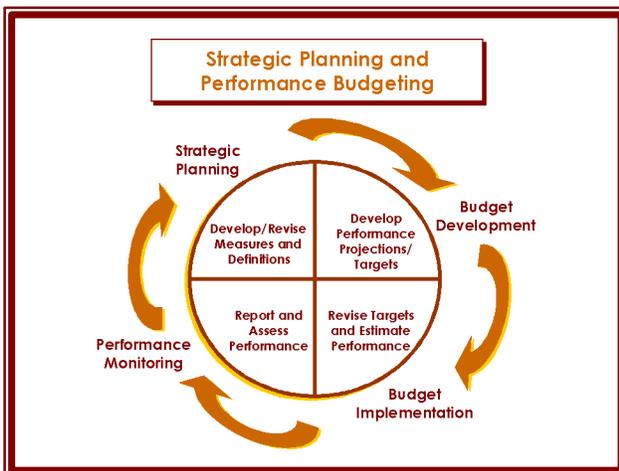


Figure 1 illustrates the four interrelated phases of the SPPB System. These include strategic planning, budget development, budget implementation, and performance monitoring. The activities listed in the circle represent primary activities related to performance measurement that occur during each phase of SPPB. The following are some of the detailed activities that occur during these phases. (See Appendix 2 for a calendar showing the timing of many of these events.)

Strategic Planning Phase

During this phase, agencies develop their five-year strategic plans that include performance measures. Development of these plans includes approval by the LBB and GOBP of strategic budget structures which include the goals, objectives, and strategies. These structures are used as major components of agency strategic plans. The structures also form the basis for agency appropriations.

- ☆ Agencies may propose revisions to their strategic planning and budgeting elements including revisions to performance measures and definitions (such as additions, deletions, name changes, and content/definition changes). Agencies with similar operations, universities, health-related institutions, or regulatory agencies use many of the same measures. Changes may be collectively proposed by all affected regulatory agencies, universities, or health-related institutions that report performance for the same measure.
- ☆ The LBB and GOBP review requested changes and either accept them or propose alternatives and negotiate with agencies regarding the changes.
- ☆ The LBB and GOBP approve negotiated budget structure changes and changes to performance measures and measure definitions prior to submission by agencies of legislative appropriations requests.
- ☆ Other entities also develop additional performance measures for specific purposes during this period. For instance, the Texas Higher Education Coordinating Board (THECB) updates information on performance measures for use by all universities to be contained in the master plan for higher education.

Performance Budget Development Phase

During this phase, the GOBP and LBB jointly develop instructions for agencies on preparing appropriations requests. Agencies prepare their appropriations requests, which include requested dollars and descriptions of the goals, objectives, and strategies to be addressed by this funding. In addition, agencies include performance information for all performance measures in their requests. The GOBP and LBB receive agencies' Legislative Appropriations Requests (LAR), and, after public hearings, make appropriation recommendations. The LBB prepares a draft appropriations bill that contains recommended appropriation amounts, identifies key performance measures with corresponding performance targets, and includes draft appropriation riders. The Legislature modifies the draft appropriations bill as appropriate and formally adopts an enrolled bill that goes to the Governor. After certification by the Comptroller of Public Accounts and vetoes by the Governor, the 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 GOBP 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 Act.

Performance Budget Implementation Phase

During this phase, agencies work with the LBB, GOBP and Comptroller's Office to respond to budget structure changes made by the Legislature. Agencies prepare operating budgets and set up systems to collect expenditure and performance data.

- ☆ Agencies project their annual performance for key and non-key measures in operating budgets.
- ☆ Agencies measure and monitor their own performance.

Performance Monitoring Phase

During this phase, agencies provide finalized pertinent information to their governing boards and other oversight agencies. The LBB and GOBP monitor agency expenditures and actual performance and compare these to appropriation limitations and performance targets. The LBB prepares summary information for the Legislature and Governor. The SAO audits performance measures to determine the accuracy of reported information.

- ☆ Agencies provide quarterly and annual information regarding actual performance to the LBB and GOBP, including analyses of variance.
- ☆ The LBB 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. For instance, the THECB receives information from universities and health-related institutions to track their progress toward goals and objectives.
- ☆ 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 committees (House Appropriations and Senate Finance) hold hearings to inquire about variations of performance or expenditures.

What progress has been made in implementing the objectives for the Strategic Planning and Performance Budgeting System?

Since 1974, Texas has used performance measures as an element of budgeting. Since adoption by the LBB and Governor of the Lieutenant Governor's Budget Reform Proposal in 1991, Texas has increased its emphasis on performance measurement. The LBB identified specific objectives for the new Strategic Planning and Performance Budgeting System. The following list identifies those objectives most closely related to performance measurement and provides the current status of each.

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 Legislature and the Governor increasingly use outcomes to make funding decisions. Key performance measures (with targets) are displayed in the General Appropriations Act with the corresponding appropriation.

Objective: Strengthen monitoring of budgets and performance

- ☆ The Governor and the Legislature receive periodic reports and assessments of agency performance.
- ☆ Legislative committees (House Appropriations and Senate 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 measures

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

Objective: Simplify the budget process

- ☆ The number of performance measures has been reduced from 10,000 to 7,600.
- ☆ Appropriate classification of measures has improved.
- ☆ Required data in LAR has been reduced and simplified.
- ☆ Only one budget submission is being required.

Objective: Provide rewards and penalties for success and failure

- ☆ Performance information is used in making decisions regarding use of the GOBP's and LBB's budget execution powers.
- ☆ Performance rewards have been established for state agencies that meet specified performance criteria.
- ☆ The Senate Finance Committee and the House Appropriations Committee request that agencies with performance difficulties testify about causes and recommended solutions.

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

- ☆ The SAO provides an independent assurance of measurement data accuracy.
- ☆ The SAO has reviewed almost all agencies and plans to complete all remaining agencies by 2000.
- ☆ The LBB follows up by requiring plans for corrective action, when necessary, in response to SAO reports.

Section 2:

★ Oversight of Performance Measurement Systems ★

What is the expectation of the Governor and the Legislature for the involvement of agency management with performance measures?

In 1991, the 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 expectation of the Governor and the Legislature is 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 LAR. Management will be involved in determining the agency's key measures and will request revisions as necessary.
- ★ 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 LAR and to allocate resources.

Why should performance measures be important 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 effectively and efficiently to 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 developed as part of the strategic planning process and should flow from the mission, goals, objectives, and strategies with an emphasis on serving the agency's customers. Agencies should carefully review performance measures to determine if they relate logically to the other elements of the plan and provide customer focus.

Performance measures 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. In the preparation of LARs, agencies have an opportunity to develop links between performance and funding. LARs inform decision-makers (such as the Legislature and Governor) of internal processes and help establish cause-and-effect relationships between performance, agency actions, and funding.

The Legislature and Governor expect agencies to focus on performance. Agencies are held accountable for performance variances. In the past, specific agencies have been identified with specific examples of targeted performance not realized, and corresponding budget reductions were assessed. 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. The following list summarizes successful performance management practices in Texas and around the nation. 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.
- ☆ 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 and Senate Finance Committees are frequently asked to explain inadequacies in their measures documentation and reported data as well as conditions resulting in variance from expected performance.

What constitutes a good performance measurement system?

A good performance measurement system should provide information that is meaningful and useful to decision-makers. A good system plays an integral part of an agency's daily operations and is 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

Section 3:

★ Performance Measures and Supporting Data ★

What are the characteristics of the measures used in the Strategic Planning and Performance Budgeting System?

To develop 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:

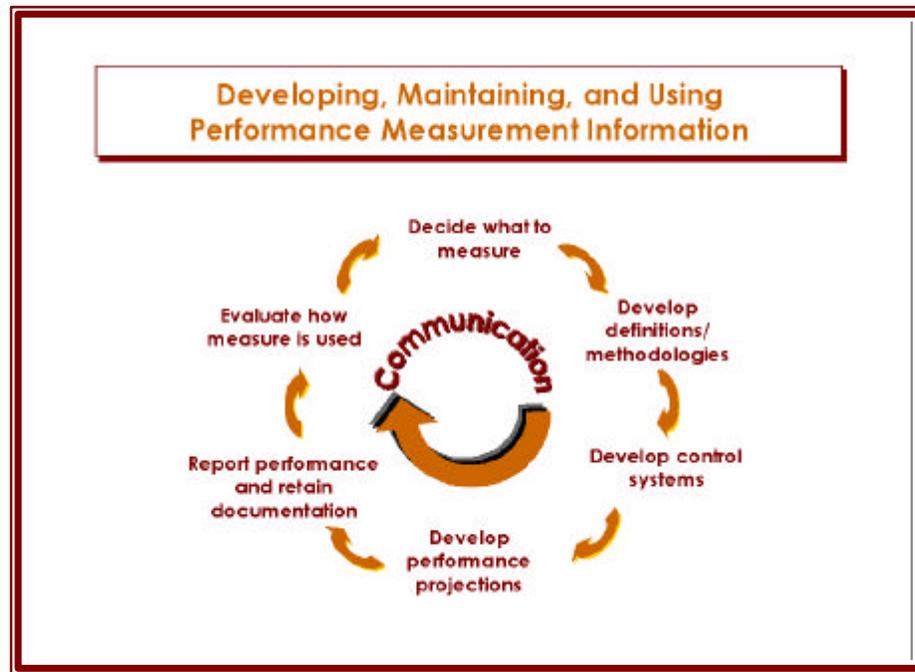
- Responsive: reflects changes in levels of performance
- Valid: captures the information intended
- Cost-Effective: justifies the cost of collecting and retaining data
- Comprehensive coverage: incorporates significant aspects of agency operations
- Relevant: logically and directly relates to agency goals, objectives, strategies, and functions

What is the process for developing, maintaining and using performance measure information?

The following discussion explains the major actions in developing and maintaining good performance measures. This process can be used when developing new measures or when evaluating existing performance measures. Figure 2 shows how to proceed through this process to ensure effective performance measures.

The process shown in Figure 2 should be repeated often enough to maintain the best possible set of performance measures. State agencies have the primary responsibility for developing good performance measures and measure definitions. Although the GOBP and LBB must approve measures and definitions, and the SAO reviews measures and definitions, agencies are expected to take the initiative in developing and refining measures so that they best reflect agency performance.

Figure 2



Foster Internal/External Involvement and Communication

Meaningful communication throughout the process of developing specific measures or a measurement system can significantly enhance the quality and longevity of performance measures. Clear and frequent communication with all parties involved (both inside and outside of the agency) can reduce the need for changes in measures. The following techniques can help create a smooth measure 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 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 GOBP staff to gain experienced opinions on proposed measures' usefulness to decision-makers.
- ☆ Solicit comments from agency customers and other external parties to test the measures' validity and relevance.

Determine the Functions That Need to Be Measured and Identify the Indicators that Best Reflect Performance

In the measurement 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. Each measure 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 developed and changed as part of the strategic planning process in the spring/summer of even-numbered years. They must relate directly to an agency's strategic plan and should generally be externally oriented. Decisions regarding what to measure as well as 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 can help identify the kind of data needed for 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. Measures should be designed to indicate how well the program/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.

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 GOBP 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 universities 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 GOBP.

Effective proposals should:

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

Develop Definitions and Calculation Methodologies

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

The GOBP and LBB 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 GOBP and the LBB determine whether to approve proposed changes to measures and measure definitions?

The GOBP and LBB 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.

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 9 contains examples of actual measures and good definitions from various state agencies.

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

- ☆ Explains what the measure is intended to show and why it is important
- ☆ Describes the specific source(s) of information and how it is collected
- ☆ Clearly and specifically describes how the measure is calculated
- ☆ Identifies any limitations about the measurement data, including factors that may be beyond the agency's control
- ☆ Identifies whether the data is cumulative or non-cumulative

The LBB and GOBP at times establish common measure definitions (for example, university 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 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, and should be designed at the time measures are developed.

For example, agencies should implement procedures for reviewing all performance data entered into the Automated Budget and Evaluation System for Texas (ABEST) before it is "completed" (i.e., released into the system for processing) to ensure that any typographical mistakes made during data entry are corrected. In addition, agencies should ensure that explanations of variance and explanations of update are developed by appropriate staff to 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. (These components and their

relationships are depicted in Appendix 7.) Manual and automated systems require controls in three major areas: input, process, and review.

- ☆ Input controls are processes developed by an agency to provide reasonable assurance that data introduced into the performance measurement system is accurate.
- ☆ Process controls are mechanisms developed by an agency to provide reasonable assurance that performance measurement systems use the appropriate information and follow procedures established for data gathering, calculation of each measure, and providing explanations.
- ☆ Review controls are procedures developed by an agency 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 will be 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. The use of performance projections can help agencies stay focused on areas of legislative interest. It is important to realize that over achievement of targets may be as problematic as under achievement.

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 LARs.

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

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 the LAR 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 GOBP, 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 GOBP make changes to targets set in the General Appropriations Act?

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

As all entities in the process have become more familiar with the SPPB system, the need to change targets established by the Legislature in the GAA has been reduced. Agencies may still request that changes to targets be approved by the LBB and GOBP. Situations that may gain approval include changes in federal requirements, program changes, or significant funding changes.

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.

Report Actual Performance and Retain Adequate Documentation

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.

Actual performance results are reported quarterly and annually to the LBB through ABEST. Performance results should be reported timely and accurately. If performance data changes for any reason, subsequent to reporting, this changed information should be reported to ABEST with an explanation of the update.

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 paper, microfilm, microfiche, or third-party computer tapes. Documents stored off site should be accessible for review. Documentation should be retained for at least three years in order to respond to audits as well as to other performance-related questions.

Evaluate How the Agency Uses the Measure

After a measure has been developed and data has been collected for it, the agency should evaluate how the measure is used to help the agency achieve the results expected by the Legislature. Agencies should determine who in the organization uses the measure and what type of information the measure provides. Agencies should also ensure changes have not been made to the information supporting the measure so that it no longer provides the information originally intended. The Self-Assessment Tool described in Appendix 5 will list specific steps for evaluating how the measure data is linked to agency decision making.

Section 4:

★ Performance Monitoring by Oversight Entities ★

What are agencies expected to report for performance monitoring?

At a minimum, agencies are expected to provide accurate 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 years) and in LARs (in even-numbered years).

In addition to accurate reporting of actual performance, agencies should also report explanations when actual performance of key measures varies 5 or more percent from targeted performance. These explanations are intended to describe the circumstances that cause the agency's actual performance to deviate from its performance targets.

- ☆ 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 5 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. There is no limit on how long actual data can be updated after it has been reported or how many times it may be updated.

How do the LBB and GOBP assess reported measures data?

The LBB conducts a quarterly assessment process focusing primarily on variances of 5 percent or more from targeted performance, asking questions such as:

- ☆ 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 GOBP and other entities use variance data to analyze the agency's performance or assess risk within the agency. Performance data assessments are reported regularly by the LBB to oversight bodies.

How do 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 Texas Higher Education Coordinating Board:

- ☆ Publishes the annual *Statistical Summary*, which is widely used by legislators and institutional administrators to compare performance of institutions with each other and over time
- ☆ Prepares studies on various aspects of Texas higher education, the focus of which is often institutional performance
- ☆ Maintains an extensive database on Texas' 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

How do the LBB and GOBP use measures to make funding recommendations?

The budget offices rely heavily on performance measures in evaluating an agency's Legislative Appropriations Request. Although funding recommendations for universities 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 assess workload and the agency's efforts to address those demands.
- ☆ 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 are relevant to the interpretation of other agency measures.

How is performance data used to assess performance rewards and penalties?

To provide agencies with incentives to achieve the performance targets established in the General Appropriations Act, the 73rd Legislature included a provision in the Act for the 1994-1995 Biennium, which:

- ☆ Required state agencies to provide testimony on performance variances to the House Appropriations Committee and the Senate Finance Committee
- ☆ Directed the LBB to develop guidelines and procedures for the assessment of agency performance

- ☆ Permitted the LBB and the Governor to adopt a budget execution order which could include, but was 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 Penalties

- 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

In a further attempt to provide state agencies with performance incentives, an additional provision was added to the General Appropriations Act for the 1998-1999 biennium. This provision enabled agencies whose performance was determined to be “outstanding” to enhance the compensation of contributing employees. In order to be deemed eligible, agencies had to meet two criteria:

1. Achieve or exceed 80 percent of the established key performance targets for the applicable fiscal year.
2. Have a 70 percent or better “Certified Without Qualification” rating of sampled measures in the most recent State Auditor’s Office measure certification audit.

The 2000-2001 General Appropriations Act includes employee compensation enhancement provisions based on the above criteria. (See Appendix 4 for the complete text of the Performance Rewards and Penalties provision.)

Performance-based employee compensation enhancement eligibility for fiscal year 2000 is based on fiscal year 1999 performance, and eligibility for fiscal year 2001 is based on fiscal year 2000 performance. In addition, the results of each agency’s most recent State Auditor’s Office performance measure certification audit will be used in determining agency eligibility for each of the two fiscal years--regardless of the audit date.

Agencies that have not had their measures audited by the State Auditor’s Office may use the SAO’s Performance Measurement Self-Assessment Tool to determine whether 70 percent or more of their key measures can be rated as “Certified Without Qualification.”

When agencies complete the self-assessment, the SAO will review and verify the information on a sample basis. The State Auditor’s Office will work with the LBB and GOBP on the information needed to determine whether an agency’s measures meets the “Certified Without Qualification” criteria. Further information about the self-assessment can be found in Appendix 5.

This page intentionally left blank.

Section 5:

★ Auditing Performance Measures ★**What is the role of the State Auditor's Office in the Strategic Planning and Performance Budgeting System?**

The SAO's involvement in the SPPB System is to examine the accuracy of performance measures and how management uses performance information to manage operations. 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 them when making decisions or evaluating state agencies. The SAO also verifies that the performance measures are part of management systems that have adequate internal controls. Adequate safeguards over the collection and analysis of performance measure data increase the probability that reported measures will be accurate over time. Additionally, the SAO examines how agency management uses measures to adjust operations to better achieve expected results.

How are agencies selected for an audit?

Agencies are selected for an audit based on a risk-assessment process. The LBB and SAO select 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
- ☆ Submission of self-assessment data

Agency requests will also be considered.

What are the steps in the SAO audit of performance measures?

The certification of performance measures consists of two parts. One part is to determine if the reported performance information is accurate and part of a reliable system. The other part is to determine how an agency uses its performance measurement information to manage its activities. After certain agencies are selected for audit, auditors will follow certain steps, which are described below. More specific steps will be contained in the self-assessment, which is discussed in Appendix 5.

Part 1 – Accuracy of performance measures

Step 1 - Determine which of the agency's measures to audit.

Step 2 - Determine if the agency can re-create the number reported in ABEST.

Step 3 - Determine the method the agency used to collect and calculate the performance data.

Step 4 - Determine if the agency followed the measure definition.

Step 5 - Determine whether the agency keeps data on a manual or automated system.

Step 6 - Determine whether adequate controls over performance measure data exist to ensure consistent reporting of accurate information.

Step 7 - Obtain a list of items to be sampled from the agency.

Step 8 - Choose a sample.

Step 9 - Test the agency's source documentation for accuracy.

Step 10 - Determine each performance measure's certification category.

Part 2 – Use of performance information

Determine how the agency uses the performance measurement system and the specific measure data in its operations.

Part 1 – Accuracy

Step 1

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

About 2,150 of the approximately 7,600 measures used in strategic planning are identified as "key" for performance budgeting. 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
- Closely related to the goals identified in the statewide strategic plan
- Reflective of the criteria for good performance measures (See page 9.)

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 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 feels are important may also be considered when selecting measures. To meet the needs of the LBB and the Legislature, the SAO tries to fulfill the LBB's requests regarding agency and measure selection. The measures selected are usually chosen because they include one or more of the following characteristics:

- ☆ Represent the activities associated with the mission and largest appropriated dollar strategies
- ☆ 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 if the Agency Can Re-create the Number Reported in ABEST.

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 data reported in ABEST. Examples of this documentation are current computer printouts that reproduce summary calculations of the reported performance data, archived computer printouts produced at the reporting date that document the summary calculations, quarterly summary calculation documentation, spreadsheets, and manual calculation sheets. If an agency has updated performance information, documentation should be available for originally reported and updated information.

Trouble Shooting Tips

- Keep summary documents.
- Review summary documents to ensure that these numbers are the same as the numbers reported to ABEST.

If the recreated performance data is not within a tolerable error range plus or minus 5 percent, the performance measure is considered inaccurate.

(See Appendix 6 for an audit example for this step.)

Step 3

Determine the Method the Agency Used To Collect and Calculate the Performance Data.

Trouble Shooting Tips

- Keep all calculation documents.
- Review the calculation for mathematical errors.
- The person responsible for the measure should determine the answers to the bullets listed in this step.

This methodology should be consistent with the measure’s definition. If the data collection methodology is not part of the definition, the auditor will seek other documentation that supports the collection and calculation process.

The auditor will determine the following:

- ☆ The event or events that begin the process of collecting data for the reporting of performance
- ☆ The events that occur from the beginning of the process until the measure is entered into ABEST

- ☆ How and where the data is stored and maintained during the period of collection
- ☆ Who within the agency is responsible for collecting, calculating, and using the data periodically

All steps performed in the collection and calculation of the performance data should be clearly documented by the responsible persons.

(See Appendix 6 for an audit example for this step.)

Step 4

Determine if the Agency Followed the Measure Definition.

The auditor will determine if the agency calculates the measure as the measure definition describes. The only exception is if the LBB and GOBP have given written approval allowing an agency to calculate the performance measure data in a manner different from the performance measure definition. The following are the results if an agency deviates from the measure definition:

- ☆ If the auditor determines that the deviation causes less than a 5 percent difference between the performance reported to ABEST and the correctly calculated number based on performance measure data--and the measure has no other problems--the measure will be certified with qualification.
- ☆ If the auditor determines that the deviation causes more than a 5 percent difference between the number reported to ABEST and the correctly calculated number based on performance measure data, the measure is considered inaccurate.
- ☆ If the auditor cannot determine what the correct performance measure result should be, because of the deviation from the definition, the measure will be identified as having factors that prevent certification.

(See Appendix 6 for an audit example for this step.)

Trouble Shooting Tips

- Ensure definitions are clear, specific, and not open to interpretation.
- Review measure definitions to ensure they are consistent with measure names.
- Train personnel to calculate the measures according to their definitions.
- 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.
- Ensure that standard measure definitions are interpreted consistently by all standard measure users.

Step 5

Determine Whether the Agency Keeps Data on a Manual or Automated System.

A manual system uses paper files and/or microfilm files. If a computer is used in this system, it is mainly to count or keep track of the records, not to maintain detailed information.

An automated system is one in which a computer is ❶ the major source of information, ❷ the most feasible way to count and store records, and ❸ the way most calculations are made.

Step 6

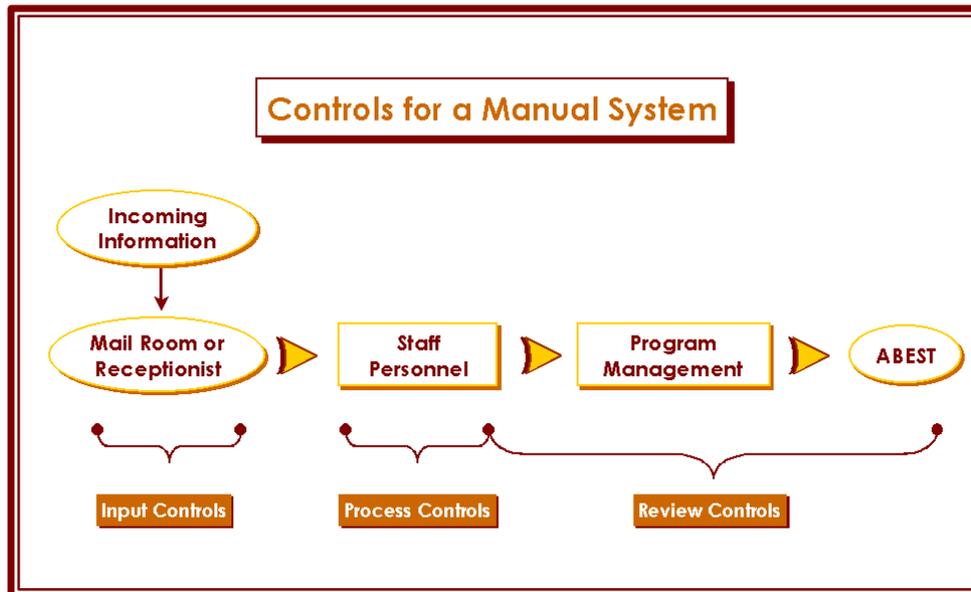
Determine Whether Adequate Controls Over Performance Measure Data Exist to Ensure Consistent Reporting of Accurate Information.

Controls for a Manual System

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 accumulated measure information is entered into ABEST. Figure 3 illustrates areas for which controls should be placed in a manual system.

Listed below are the major areas (input, process, and review) that the auditor will examine to ensure some type of control structure exists in a manual system. The controls listed are some examples that have been used in many performance measurement systems. Each agency and performance measurement system is different and may need greater, fewer, or different controls to be effective.

Figure 3



Input Controls

- ☆ Written procedures and guidelines should exist for the point where performance information is first recorded (for example, applications, forms, and telephone complaints). Personnel should be trained to follow these procedures to ensure that they have a uniform understanding of what information is needed.
- ☆ Information gathered at the initial point that performance information is recorded should be date stamped or logged when received.
- ☆ A regular review of intake information 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 for assurance that the information received is accurate.

Process Controls

- ☆ The person responsible for calculating the performance data should understand the origin of the information and stay current with any changes in the form of the information.
- ☆ Written procedures for collecting and calculating the information should exist. Personnel should be trained to follow these procedures.

Review Controls

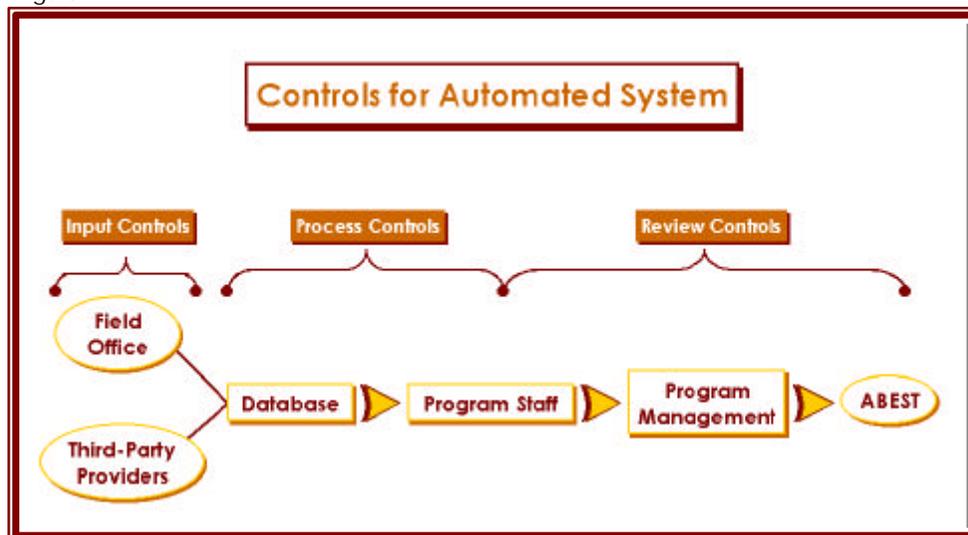
- ☆ A review of the measure calculations and summary documents should occur before performance information is reported.
- ☆ The person responsible for the accuracy of the data should review information input into ABEST before the ABEST submission is “completed.”
- ☆ Periodically, the agency should review information submitted by field offices and third parties.

Controls for an Automated System With Available Source Documentation

If reported performance information is kept on an automated system and source documents are available for review, the auditor will determine whether the necessary controls exist at each point in the data flow. An automated system is one in which the computer is the major source of information and is also the major source of calculations.

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

Figure 4



The auditor will examine the major areas listed below to ensure that an adequate internal control structure exists for each measure. The controls listed are some examples that have been used in various performance measurement systems. Each agency and performance measurement system is unique and may need greater, fewer, or different controls to be effective. Appendix 7 gives an example of the controls for an ideal performance measurement system.

Input Controls

- ☆ Guidelines and procedures for data entry should be well documented.
 - Data entry personnel should be trained on which information to enter, how to enter the information, and the importance of accuracy.
 - The data entry supervisor should review information entered into the computer system for accuracy.
- ☆ Controls should exist over third-party sources of information.
 - Agencies should obtain written documentation of third-party controls when possible.
 - If the third party has no controls, the agency should conduct necessary inquiries for assurance that the information received is accurate.

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 initial).

Process Controls

- ☆ The person responsible for calculating the performance data should understand the origin of the information and stay current with any changes in the form of the information.
- ☆ Procedures should be in place to ensure that the computer program used to calculate any portion of the performance data is capturing the correct information and is performing the correct mathematical calculations.

Review Controls

- ☆ The agency should periodically review information submitted by field offices and third parties.
- ☆ A supervisor should review calculations of the performance data to ensure that they are consistent with the measure definition and to check for mathematical errors.
- ☆ Audits of the performance information conducted by the agency 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 the audit alone is not enough to satisfy the control requirements for certification.
- ☆ The person responsible for the accuracy of the data should review the information in ABEST before the ABEST submission is "completed."

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

- ☆ Database security
- ☆ Software/hardware controls
- ☆ Data access controls
- ☆ Data completeness controls
- ☆ Data backup controls
- ☆ Data output controls
- ☆ Program and application maintenance

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
- Microfilm/microfiche
- Paper files

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 will determine whether the necessary controls exist at each point in the current data flow. If source documentation is limited, 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. It does not mean the documents were available and destroyed. Controls will be reviewed from the initial event that begins the performance measurement process until the accumulated measure information is entered into ABEST.

Controls required for this environment are the same input, process, and review controls listed in the previous section.

(See Appendix 6 for an audit example for this step.)

Step 7

Obtain a List of Items to Be Sampled From the Agency.

The auditor will request a list that contains all instances of the performance being measured for the reporting period. A database should be capable of producing a list of all items counted for a particular measure for the current 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.

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

Step 8

Choose a Sample.

In sample testing, auditors use 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 weak or moderate, the sample size is 61. Also, if one error is found during testing of the sample of 29, the sample is expanded to 61. If at any time during the testing of the sample of 61, three total exceptions are noted, the measure is inaccurate and no additional testing is necessary. (A sample size of 61 allows for two errors.)

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

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 9

Test the Source Documentation for Accuracy.

Adequate source documentation should be available for testing. 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

Source documents kept in remote locations, in field offices, or by third-party sources will be obtained for review. This will be accomplished by having the documents shipped in, having the responses faxed to the auditor, or having the auditor go to the source documents.

It is possible that during the audit, auditors 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 Government Code, Chapter 552.116. Additionally, the SAO has the authority to view all documents necessary to complete an audit as noted in the State Auditor’s enabling legislation, Government Code, Chapter 321.013(e).

If source documentation is not available, controls will be tested using current data. “Unavailable source documentation” means that the system tracking the performance measure does not start from documents or produce source documents. It does not mean that the documents were available and destroyed.

When controls are tested using current data, the current fiscal year’s data will be used to ensure that the controls work properly. If the results of the current fiscal year’s test are accurate, and if controls have not changed from year to year, the auditor can be confident that the fiscal year’s information was accurately collected. If the controls and calculations are verified, this type of measure will be “certified.”

Step 10

Determine Each Performance Measure's Certification Category.

Measures are designated as either “certified,” “certified with qualification,” “factors prevented certification,” “inaccurate,” or “not applicable.” 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. Following are explanations of the five certification categories:

- ☆ A measure is **Certified** if reported performance is accurate within plus or minus 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 (CQ)** 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 caused a less than 5 percent difference between the number reported to ABEST and the correct performance measure result. Findings may be issued for these measures if qualifications are significant.
- ☆ **Factors Prevented Certification (FPC)** is given if documentation is unavailable and controls are not adequate to ensure accuracy. Factors prevented certification is also given when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result. Findings are issued for these measures.
- ☆ A measure is **Inaccurate** when the actual performance is not within 5 percent of reported performance, or there is a greater than 5 percent error in the sample of documentation tested. A measure is also inaccurate if the agency's calculation deviated from the measure definition and caused a greater than 5 percent difference between the number reported to ABEST and the correct performance measure result. Findings are issued for these measures when a complex or system-wide problem exists.
- ☆ Certification for a measure is **Not Applicable** when performance is justifiably not reported for a given year. This category is rarely used. A measure is usually put into this category if it is new and information is not yet available for reporting.

Results of the performance measures audit are published in a public report to be used by the LBB, GOBP, 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, certification results, and comments. These comments detail the reason a measure is not certified. The comments do not have a published management's response; however, the auditors will consider any suggestions the agency has in relation to the factual accuracy of the comments. If necessary, findings and agency responses follow the agency's table.

Part 2

Determine How the Performance Measurement Information Is Used in Managing Agency Operations.

The SAO will examine how the agency uses its performance measurement system and specific measurement data in its operations. Various levels of an organization will use measurement data in different ways. Measures can be good tools to help agencies manage programs and services to achieve expected results.

Information will be gathered to determine the extent to which management uses measures, from perspectives such as these:

- ☆ To what extent are operational measures used to monitor programs linked to measures reporting program outcomes to the Legislature?
- ☆ How are specific measures or their component parts used by management in decision-making?
- ☆ How does the timing of receipt of information affect the results of certain measures and their use in decision-making?

How do other related reviews affect the performance measures certification audit?

Reviews conducted prior to the certification audit are useful and will be used as they are applicable. If an internal audit review has been conducted, the working papers and supporting documentation will be reviewed, and additional work will be done as needed. If external audit work has been conducted, audit reports will be relied upon to the extent they are relevant.

When self-assessments are performed and results entered into the SAO database, results will be verified on a sample basis. Information reported through self-assessments may be included in public reports.

This page intentionally left blank.

Appendix 1

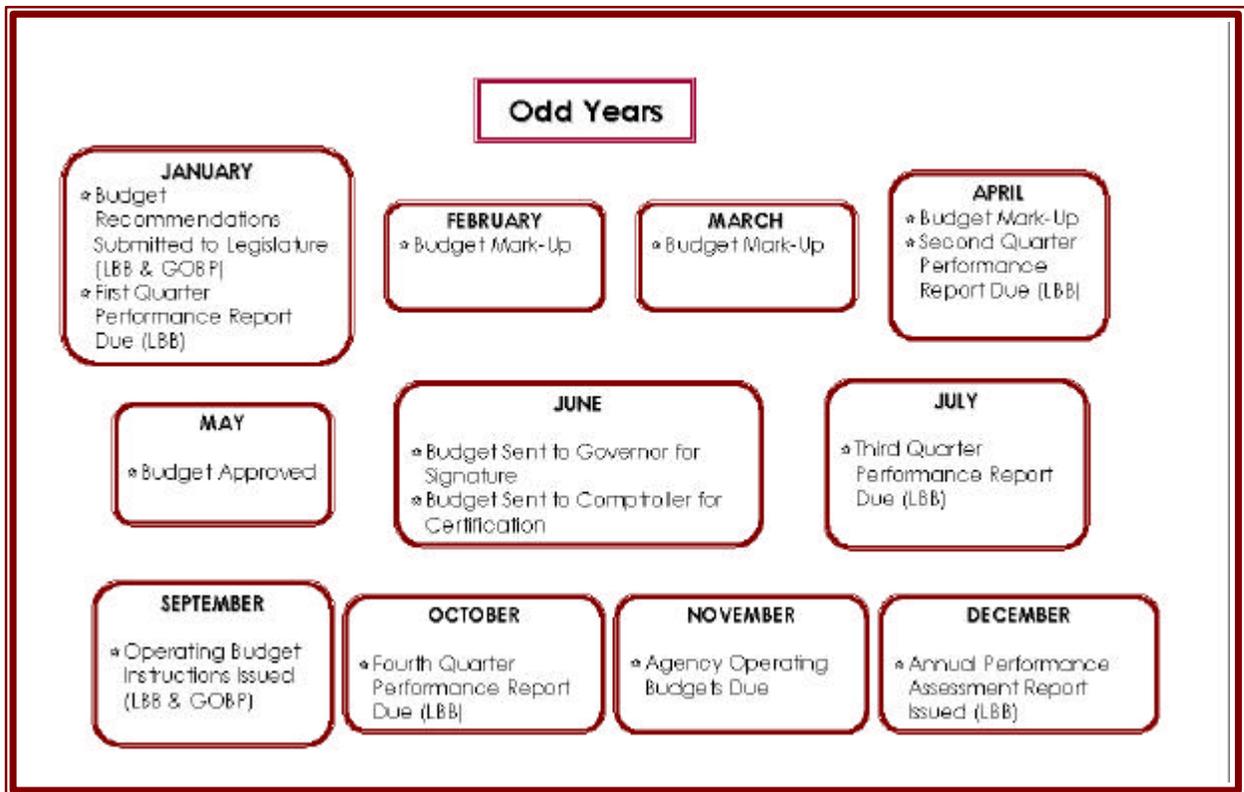
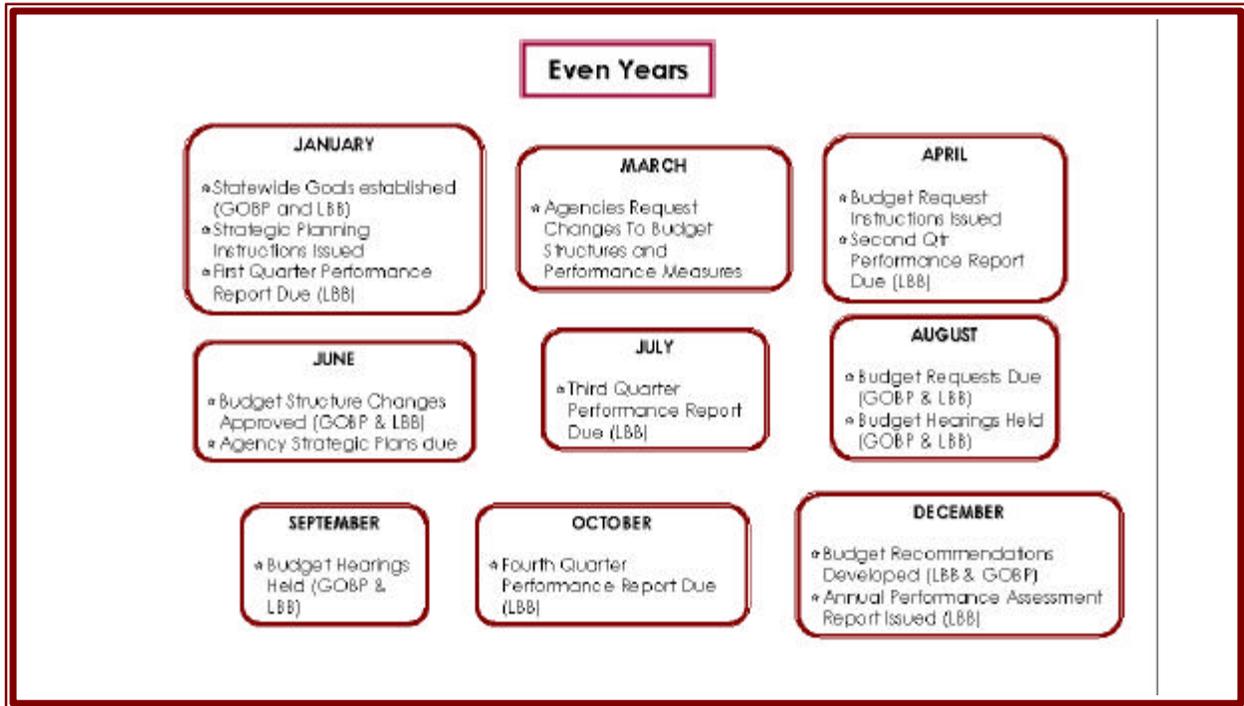
Glossary

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 greater than 5 percent between targeted and actual performance. Most performance data is entered by state entities directly into ABEST.
Certification Audit	A review by the State Auditor's Office to determine the accuracy of a state entity's reported performance data.
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; otherwise, a measure is non-cumulative.
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 that affect or explain a state entity's performance.
GAA	General Appropriations Act.
Goal	A general end toward which a state entity directs its effort.
GOBP	Governor's Office of Budget and Planning.
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 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 which, 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.
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 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 which 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	A method by which a state entity seeks to accomplish its goals and objectives. Also used as appropriation items for budgeting.
Target	An expected level of performance established for a particular performance measure by the Legislature in the General Appropriations Act.
THECB	Texas Higher Education Coordinating Board

Appendix 2

Calendar of Performance Measurement Events



Measure Types, Uses, and Examples

Types of Measures

Type	Measure	Examples of Measures
Outcome (Results/Impact)	Identifies the actual impact or public benefit of an agency's actions (results or impact)	- Percentage of Clients Rehabilitated - Percentage of Entities In Compliance With Requirements - Percentage of Licensees With Validated Complaints
Output (Volume)	Counts the goods and services produced by an agency (volume or workload)	- Number of Clients Served - Number of Inspections Conducted - Number of License Applications Processed
Efficiency	Identifies the cost, unit cost, or productivity associated with a given outcome or output	- Average Cost Per Client Served - Average Cost Per Inspection - Average Time to Process License Applications
Explanatory/ Input	Shows the resources used to produce services and displays factors that affect agency performance	- Number of Clients Eligible for Services - Number of Entities Subject to Inspection or Regulation - Number of License Applications Received

Use of Key and Non-Key Measures

How a Measure is Used	Key	Non-Key ABEST	Non-Key Non-ABEST
In Appropriations Request?	Yes	Yes	No
In 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 appropriations requests and operating budgets.

Examples of Outcome versus Output Measures

Performance Measure (outcome)	Workload Measure (output)
Percentage of discharged mental health patients who are successful in independent living	Number of mental health patients who are treated and discharged
Incidence of low birth weight babies born in Texas	Number of women served by the Women, Infants and Children's Nutrition program
Percentage of students exiting bilingual programs successfully	Number of students participating in bilingual programs
Release and generation of solid waste in Texas as a percent of 1987 levels	Number of solid waste permits issued in Texas

NOTE: When statewide strategic planning was first implemented in 1991, outcome measures constructed as "percentage change" were encouraged; outcome measures constructed as "percentage performance" are now preferred.

Appendix 4

Performance Rewards and Penalties Provision

The General Appropriations Act states the following:

Sec. 9-6.39 - 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 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 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;
 - (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 rules and procedures for the implementation of the above provisions.
 - (4) The Legislative Budget Board may request from the State Auditor's Office comments 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 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 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 must:

- (1) Achieve or exceed targets for 80 percent of the established key performance measures:
 - (A) For fiscal year 2000, 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 1999;
 - (B) For fiscal year 2001, eligibility shall be determined by the Legislative Budget Board based on performance reported to ABEST for fiscal year 2000; and
 - (C) Have an unqualified certification for at least 70% of its performance measures as shown by its most recent certification review by the State Auditor's Office; and as reflected in the "Summary Assessment of Agency Performance: Fiscal Year 1998" produced by the Legislative Budget Board and submitted to the Seventy sixth Texas Legislature. If an agency has not been subject to this review, then the agency may submit a request for certification to the State Auditor's Office, accompanied by a self-assessment demonstrating that the agency has satisfied at least 70% of its performance measures. The request and accompanying information shall be prepared according to instructions provided by the State Auditor's Office. The State Auditor's Office shall review an agency's self-assessment and advise the Legislative Budget Board concerning whether the agency satisfies the criteria for eligibility under this section.
 - (2) File a report with the Legislative Budget Board, Governor's Office of Budget and Planning, House Appropriations Committee, and Senate Finance Committee describing the success of the innovative program and criteria used to assess the improvements.
- (e) In addition to the provisions of this section, sixty days prior to implementation, qualified agencies are required to file a report with the Legislative Budget Board, Governor's Office of Budget and Planning, House Appropriations Committee, and Senate Finance Committee describing in detail how they intend to use this flexibility to further the goals of this section.

Appendix 5

Performance Measures Self-Assessment Tool

The self-assessment tool is under development and will be released shortly. The SAO will work with the LBB and GOBP on the information needed to determine whether an agency meets the measures, “Certified without Qualification” criteria.

The SAO’s Performance Measures Self-Assessment is the tool agencies will use to assess their performance measurement systems. The objective of the self-assessment is to determine how agencies use performance measures and if the performance data reported to the LBB through ABEST is accurate.

A rider to the General Appropriations Act for the 2000-2001 biennium states that agencies are eligible for employee compensation enhancement if the agencies achieve or exceed 80 percent of the established key performance targets and have 70 percent or more of their performance measures certified without qualification in the most recent SAO certification audit. The SAO will use the self-assessment tool and selected verification techniques to certify that measures are accurate for the purposes of this rider. Only agencies and universities that have not had a certification audit can perform a self-assessment for this purpose.

The SAO also encourages agencies to use the self-assessment tool to assist them with improving overall controls and assess how key employees use this data to achieve the agencies’ expected results.

The SAO will publish self-assessment results in a form similar to the one used to report regular certification audits for use by citizens and the Legislature.

Examples for Auditing Performance Measures

The following pages contain audit examples for various steps in the auditing process. Each measure and situation is different, but these examples are included to describe the way auditors would evaluate a situation with these given circumstances. The same measures and data are used for each example; however, each step's example should be reviewed individually.

Appendix 6.1

Step 2 Examples

Determine if the Agency Can Re-create the Number Reported in ABEST.

Agency

An agency wants to process applications more efficiently so that its customers will be served in a timely manner. This is of concern to the executive director because the agency has experienced large backlogs in this area in the past. The agency has a measure entitled Percent of Applications Submitted That Are Processed. This measure is calculated as follows: number of applications processed divided by the number of total applications received. The target for this measure is that every quarter the agency will process 95 percent of the applications received.

To certify this measure, we will have to examine the numerator and the denominator. Examining the numerator we find that the agency reported 500 applications processed during the previous year. The documented measure definition for "Number of Applications Processed" reads:

The Number of Applications Processed is equal to the total number M plus N plus O plus P applications processed. An application is considered "processed" when the reviewer closes a file for the applicant in the computer.

The following is an example of a document with supporting summary calculations:

	Number of M applications processed	Number of N applications processed	Number of O applications processed	Number of P applications processed	Total Number of applications processed
Quarter 1	20	30	10	45	105
Quarter 2	40	30	35	30	135
Quarter 3	30	30	35	60	155
Quarter 4	10	10	20	65	105
Year Total	100	100	100	200	500

If summary documentation for the number of applications processed supports between 475 and 525, the certification process will continue.

University

A university reported 1,000 undergraduate degrees awarded during the previous year. The documented measure definition for Number of Undergraduate Degrees Awarded states the number of degrees awarded at the baccalaureate level. This is an actual measure listed in the GAA.

To determine the number of undergraduate degrees awarded for the entire fiscal year, we must consider the number of degrees awarded each semester. The following is an example of a document with supporting summary calculations.

Semester	Total number of undergraduate degrees awarded
Fall	350
Spring	500
Summer I & II	150
Year Total	1,000

If summary documentation for the number of undergraduate degrees awarded supports between 950 and 1,050, the certification process will continue.

Health-Related Institution

A health-related institution being audited reported \$100 million for the measure “total external research expenditures.” If summary documentation for external research expenditures supports between \$95 million and \$105 million, the certification process will continue.

Appendix 6.2

Step 3 Examples

Step 3

Determine the Method the Agency Used To Collect and Calculate the Performance Data.

Agency

For the measure Number of Applications Processed, the auditor would want to know that the process begins when an application is received and stamped by the agency. Those who process applications review the application, and a record of the application is entered into a file in the agency’s computer system. At the end of the quarter, the computer generates the number of applications closed.

University

For the measure Number of Undergraduate Degrees Awarded, the auditor would want to know the following details concerning the process used by the university to generate this performance data.

The process begins when a student applies for graduation in the registrar's office during the semester the student plans to graduate. The graduation advisor in the registrar's office compares the degree plan with the student's transcript to determine if all university requirements have been met for graduation.

At the end of the semester, final grades for applicants are requested. Grades are posted to degree plans to determine if all requirements for graduation are met. Final clearance for graduation is given, and students are placed on the official graduation list.

An electronic tape of graduation data is sent to the THECB where information is compiled by a computer system. The university then receives a copy of THECB records and reports the information to ABEST by the next reporting date.

Health-Related Institution

For the measure "total external research expenditures," the auditor would want to know that the process begins when the institution records expenditures for conducting research and development from external sources into its computer system. The institution's records and computer system should reflect the sum of federal and private expenditures for research and development, as reported to the Texas Higher Education Coordinating Board in the *Survey of Research Expenditures*.

Appendix 6.3

Step 4 Examples

Determine if the Agency Followed the Measure Definition.

Agency

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 P applications, 200 applications (from example in step 2) were not incorporated into the reported performance measure result; therefore, the measure is underreported by 40 percent. This measure would be considered inaccurate.

University

ABEST shows that reported performance for Number of Undergraduate Degrees Awarded is 1,200. University personnel informed the auditor that the Number of Undergraduate Degrees Awarded is calculated by adding the total number of baccalaureate (1,000 degrees) and masters degrees (200 degrees) awarded.

The measure definition (stated in the example for step 2) states that only baccalaureate degrees should be included when calculating the measure. Two hundred masters degrees were inappropriately included in the reported performance measure result; therefore, the measure is over reported by 20 percent. This measure would be considered inaccurate.

Health-Related Institution

The ABEST system shows that reported performance for "total external research expenditures" is \$120 million. For classification as an external research expenditure, the following requirements must be met:

External research expenditure requirements

Expenditures for research and development from dollars appropriated directly to the institution or state funds transferred from other state agencies and institutions are excluded (e.g. Advanced Research or Advanced Technology Program funds, institutionally-controlled funds). This exclusion applies both to General Revenue funds and local funds:

1. Federal expenditures for research and development are included;
2. Private expenditures for research and development are included;
3. Indirect costs are included; and
4. Fringe benefits are included.

Institution personnel informed the auditor that “total external research expenditures” is calculated by including Advanced Research Program expenditures and excluding federal expenditures for research and development.

The measure definition (detailed in the above table) states that Advanced Research Program expenditures should be excluded when calculating the measure. A total of \$20 million in expenditures was inappropriately included in the reported performance measure result; therefore, the measure is overreported by 20 percent. This measure would be considered inaccurate.

In addition, factors prevented certification of the measure because federal research expenditures for research and development could not be determined: the institution did not have a process for classifying federal research and development expenditures into its records or computer system.

Appendix 6.4

Step 6 Examples

Determine Whether Adequate Controls Over Performance Measure Data Exist to Ensure Consistent Reporting of Accurate Information.

Agency

Example of Controls for a Manual System

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 should be documented for the measure Number of Applications Processed.

Input Controls:

- ☆ Document who should open applications received in the mail.
- ☆ Document processes that should be performed with the applications (such as date stamped, entered into computer).
- ☆ Document any batching requirements.

Process Controls:

- ☆ Document procedures used to process applications.
- ☆ Document procedures used to close applications.

Review Controls:

- ☆ Document the level of personnel responsible for reviews.
- ☆ Document the items that personnel should review.
- ☆ Document the frequency that reviews should occur.

*Example of Controls for an Automated System with Available Source Documentation***Agency**

Appendix 7 lists the ideal controls for agencies' performance measurement systems.

University

This example includes the processes used to generate the Number of Undergraduate Degrees awarded for a combined automated and manual system. It contains some ideas for a control structure surrounding this particular measure.

Input Controls:

- ☆ The university should have written procedures detailing who should submit grades to the registrar, how they should be submitted, and the reviews that should be conducted to ensure that grades submitted are those entered into the system.
- ☆ Another control is a second review of scantron sheets containing student grades. A second machine reviewing grades that are recorded on scantron sheets by professors can accomplish this.

Process Controls:

- ☆ Written procedures detailing the steps taken to process an application for graduation should exist.
- ☆ The student information system should compare the grades provided by the two scantron machines to ensure that they are consistent.
- ☆ The student information system in the Registrar's Office should compare the degree plan with the student's transcript to determine if all university requirements have been met for graduation.
- ☆ A checklist is printed by the system for each student applying for graduation with remaining degree requirements listed. At the end of the term, final grades are posted to degree plans in the system.
- ☆ After all requirements have been met for graduation and all reviews have been conducted (all review controls have been implemented), flags are set on the student summary screen to indicate that requirements are met, and a degree is issued.

Review Controls:

- ☆ Written guidelines should detail who is responsible for reviews and at what frequency reviews are to be performed.
- ☆ The checklist generated in process controls should be reviewed, signed, and dated by the registrar's office staff person checking the student for graduation.

- ☆ The registrar’s office student information system should compare each degree plan, final grades, and checklist to determine if all graduation requirements are met.
- ☆ After performance data has been entered into ABEST, it should be reviewed before the information is “completed.”

Health-Related Institution

The event that is counted for the measure “total external research expenditures” is the amount of total expenditures for the conduct of research and development from external sources during the reporting period. It shall not include expenditures for funds appropriated directly to the institution, state funds transferred from other state agencies and institutions, or institutionally-controlled funds.

Input Controls:

- ☆ The institution should have written guidelines detailing procedures and criteria for categorizing expenditures as external research expenditures. The criteria should include a table or methodology for determining expenditure classification. Procedures should include forms to be completed by institution personnel showing that the status of each expenditure has been determined.
- ☆ Data entry personnel at the institution should be trained to enter external research expenditure information into the institution’s computer system.
- ☆ The institution should periodically conduct audits of expenditure classifications to ensure reliability.

Process Controls:

- ☆ Written procedures should detail the steps taken to compute “total external research expenditures.”
- ☆ The person entering the measure information should have a good understanding of the data submitted to ABEST. In addition, the person calculating external research expenditures should understand the measure definition and ensure that the information computed is consistent with the definition.

Review Controls:

- ☆ Written guidelines should describe who is responsible for the review process, the frequency of reviews, and the steps of the review to be conducted.
- ☆ Comparisons of external research expenditures information reported to ABEST and external research expenditures information included in the Texas Higher Education Coordinating Board’s *Survey of Research Expenditures* should be conducted to ensure that the two correspond.

Ideal 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. In an ideal world, each agency would have all of the following controls surrounding each of its performance measures.

The controls are numbered to correspond with the boxes on page 46. The chart is broken into 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:

- ☆ 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. Additionally, accuracy often increases if the personnel are told how the information is being used and that this information could ultimately affect agency funding.
- ☆ Information received through the mail or by telephone (for example, 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.

Number 2 - Third-Party Sources

The third-party sources of information should have similar controls 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 provider's operations to ensure that the information received is accurate.
- ☆ 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.

Number 3 - On-Site Entry

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

Process Controls:

Number 4 - Database

The database should contain elements of both input and process control structures. The input control that should surround the database is as follows: the main office should periodically review information coming into the database from the field offices, third-party providers, and on-site data entry personnel for accuracy.

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

- ☆ The computer program used to calculate any portion of the performance data should be reviewed to ensure it is capturing the correct information.
- ☆ The database should have all of the basic computer controls such as edit checks, logic checks, edit totals, and access controls.

Number 5 - Program Staff

Program staff in this model are the people responsible for collecting and calculating the performance measure information. These staff members (or program management depending on agency organization) should be communicating with the field offices, third-party providers, and on-site data entry personnel to express the importance of receiving accurate data and to inform the personnel of how the data is used. The following controls apply to program staff members:

- ☆ The personnel should understand the origin of the information and stay current with any changes in the form of the information. For example, a measure is tracking the number of complaints resolved per 100 complaints received. The program staff should determine if the computer divides the initial inputs or if the staff members need to do it manually.
- ☆ Written procedures for collecting and calculating the information should exist. Program staff members should be trained on these procedures.

Review Controls:

Number 6 - Program Management

Program management are the people who supervise the program staff. The managers should communicate results to executive management and end users. Communication with executive management helps ensure that information executive management wants measured is being measured or is capable of being measured. Program managers should: review calculation of the performance data to ensure that the calculation is consistent with the measure definition and to check for mathematical errors.

Number 7 - Performance Measure Results

These are the final numbers for the performance measure. These numbers are entered into ABEST and used by executive management to make decisions concerning the organization. Audits of the performance information conducted by the agency 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 the audit alone is not enough to satisfy the control requirements for certification.

Number 8 - ABEST

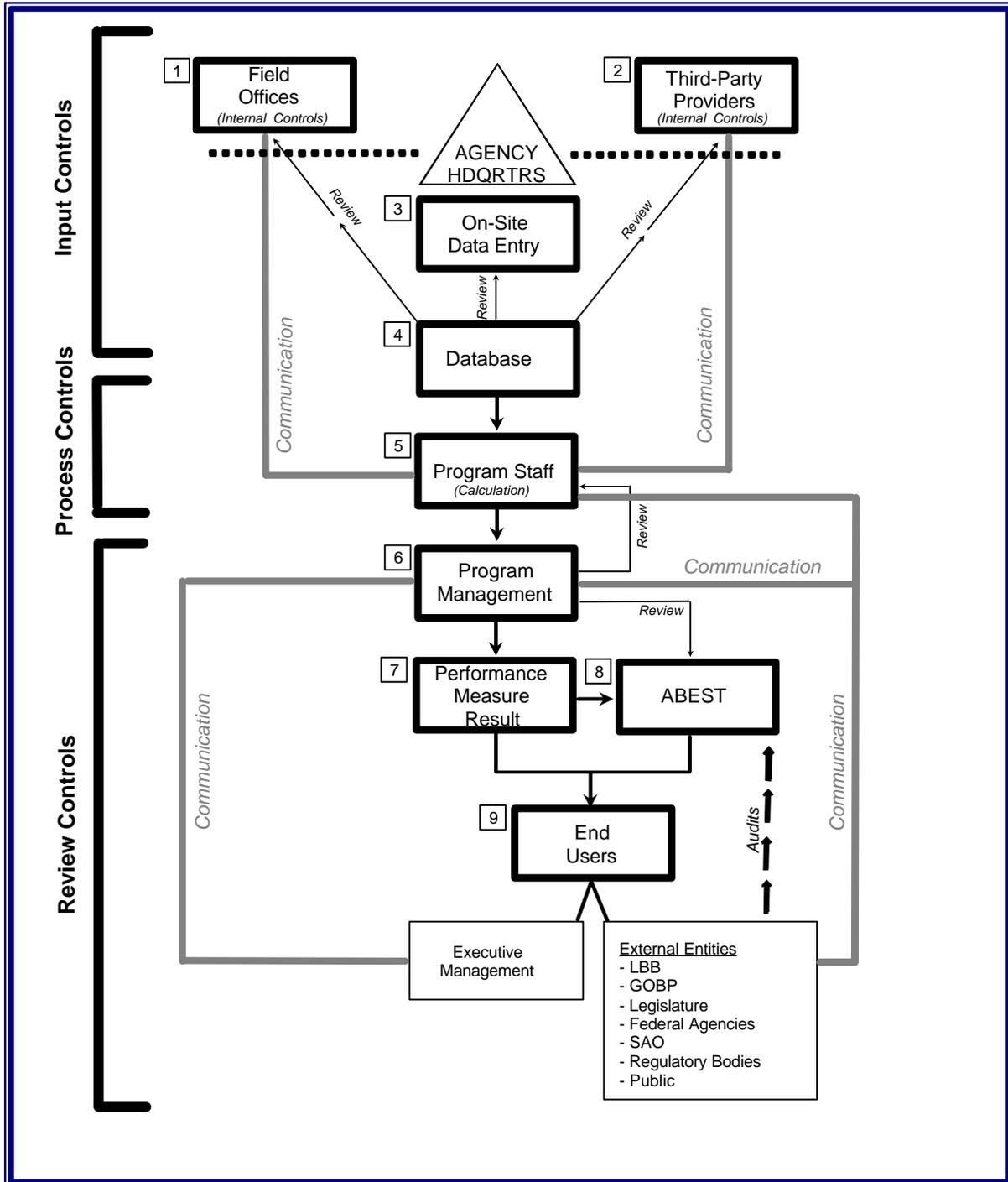
ABEST is the final destination of the performance measurement data. ABEST allows performance data to be used and accessed by external parties. Management should ensure that information entered into ABEST is reviewed for accuracy before the ABEST submission is “completed.”

Number 9 - End Users

Anyone who is not directly involved with the production of the measure is considered an end user. Executive management’s role in performance measurement controls is to ensure that the organization has an adequate and functional control structure. Other outside entities such as the LBB, SAO, and the federal government will monitor and audit the performance measurement results.

Model of Performance Measurement System with Ideal Control Structure

Figure 5



This graph illustrates the controls for a performance measurement system that the SAO believes would ensure that performance data is reported accurately and efficiently.

Appendix 8

Selected On-Line Resources for Performance Measurement-Related Information

Alliance for Redesigning Government (National Academy of Public Administration)
<http://www.alliance.napawash.org/>

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

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

Finance Net (National Performance Review)
<http://www.financenet.gov/>

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

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

Governmental Accounting Standards Board
<http://www.rutgers.edu/Accounting/raw/gasb/>

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

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. General Accounting Office
<http://www.gsa.gov/>

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

Appendix 9

Examples of Measure Definitions

The following are examples of good performance measures and definitions which 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 12, but have fully developed each of these elements.

AGENCY: Department of Protective and Regulatory Services
GOAL: Protect clients by developing and managing a service delivery system
OBJECTIVE: Reduce child abuse/neglect and mitigate its effect
OUTCOME MEASURE: Percent of Child Protective Service (CPS) Priority 1 Reports Initiated Within One Day

MEASURE DEFINITION:

Purpose: This measure provides an indication of the responsiveness of CPS staff to reports of child abuse/neglect that allege a child to be in life threatening circumstances.

Definition: CPS Priority I reports, determined by the current stage priority, are calls that have met the statutory definition of child abuse/neglect and are assigned for investigation. To determine the CPS Priority I reports that had an investigation initiated within one calendar day of the report, subtract the date the report was received from the date the investigation was initiated.

Data Gathering: Count the total number of priority I reports during the reporting period and count the number of reports that were designated as Priority I in the intake process and for which an investigation was initiated within one calendar day of being reported to PRS in the reporting period. To select the universe, start date must be within the reporting period.

Calculation: Divide the total number of CPS reports designated as Priority I for which an investigation was initiated within one calendar day by the total number of reports designated as Priority I during the reporting period. When calculating the second quarter, third quarter and fourth quarter, the year-to-date total is recalculated.

DATA SOURCE: Child and Adult Protective System (CAPS)
CALCULATION METHOD: Non-Cumulative
NEW MEASURE: No
KEY MEASURE: No

AGENCY:	Texas Department of Criminal Justice
GOAL:	To provide for confinement, supervision, rehabilitation and reintegration of adult felons
OBJECTIVE:	To confine and supervise convicted felons
OUTCOME MEASURE:	Three-year Recidivism Rate

MEASURE DEFINITION:

Recidivism rate is the percentage of offenders released from TDCJ-Institutional Division (ID) to parole or mandatory supervision that are revoked and/or returned to TDCJ-ID within thirty-six (36) months of release. The rate is derived from an analysis of a true random sample of releasees during the fiscal year being reported.

Why is the measure important?

This measure is intended to show the likelihood offenders released from Texas prisons will return to criminal activity. It is important because successful offender rehabilitation and reintegration into society upon release is a primary agency goal.

Where does the information come from and how is it collected?

Specialized statistical software (SPSS) is utilized to obtain a true random sample of 1,200 cases from consolidated data files of TDCJ-Institutional Division (ID) releases downloaded on a monthly basis from the mainframe computer system. Each case is then researched to determine whether the releasee was revoked and/or returned to ID within three years of release (the exact dates of the three-year follow-up are determined individually for each case in the sample).

How is the measure calculated?

Outcome data is coded and entered into a PC database. SPSS is utilized to analyze the data and determine the total number of releasees in the sample revoked and/or returned to ID within three years of release. The total number is then divided by 1,200 to obtain the three-year recidivism rate.

Limitations about the measurement data

- 1) Many societal and criminal justice factors beyond the agency's control affect the recidivism rate.
- 2) Prison admissions data is the traditional basis for recidivism rate calculation but is subject to influence by the backloging of state prisoners in county jails; the present measure counts releasees revoked to prison by the Board of Pardons and Paroles as recidivists irrespective of re-admission to ID.
- 3) Because no one source is sufficiently complete or accurate to be relied upon exclusively, five different computer system databases must be utilized to conduct the research associated with this measure (ID-IMF, PD-PSS, BPP-CAPS, BPP-HSDD and DPS-CCH).

CALCULATION METHOD:	Non-Cumulative
NEW MEASURE:	No
KEY MEASURE:	Yes

AGENCY: Commission for the Blind
GOAL: Assist Texans who are blind or visually impaired to live independently
OBJECTIVE: Increase the number of consumers achieving independent living goals
OUTCOME MEASURE: Percent of Consumers Whose Dependent Living Risk Was Diminished

MEASURE DEFINITION:Explanation/Importance:

This measure addresses the extent to which services provided by the strategy enable individuals to minimize their dependency on others due to blindness or severe vision loss. Services provided depend on individual need and might include training in how to move about safely in the home, neighborhood, and community; counseling to help adjust to vision loss; and provision of adaptive devices and training in preparing meals, handling finances, maintaining and recording information without vision.

Source of Data:

Service personnel in field offices enter all data for the consumers they serve into the agency's database. A record of each consumer is begun at the point an application for services is taken or a referral is received.

After assessing the consumer's situation, service personnel note in the consumer's database record whether the individual is at risk of increased dependency on others. At the time the consumer's case is closed, the staff enters a code noting whether or not the consumer's risk for dependent living is diminished as a result of services provided. Consumer coding is presented in a quarterly custom report which extracts this database information.

Calculation:

A percentage is obtained by dividing the number of consumers coded as having a diminished dependent living risk at closure by the number of consumers coded as being at risk during the eligibility phase of their rehabilitation process.

Data Limitation:

The determination of risk of dependence at application and the degree of dependence at closure is based on the judgement of professional staff. A small degree of subjectivity is inherent but the measure offers reliable information on program results.

CALCULATION METHOD: Non-Cumulative
NEW MEASURE: No
KEY MEASURE: Yes

For more information or questions relating to performance measures, please contact the following:

Legislative Budget Board

John H. Reagan Building, 3rd Floor
105 W. 15th Street
P.O. Box 12666
Capitol Station
Austin, TX 78711
Phone: (512) 463-1200
Fax: (512) 475-2902, 475-2918

Governor's Office of Budget and Planning

Old State Insurance Building, 4th Floor
1100 San Jacinto
P.O. Box 12428
Capitol Station
Austin, TX 78711
Phone: (512) 463-1778
Fax: (512) 463-1880

State Auditor's Office

Two Commodore Plaza, 19th Floor
206 East 9th Street, Suite 1900
P.O. Box 12067
Capitol Station
Austin, TX 78711
Phone: (512) 479-4700
Fax: (512) 479-4884

**This Guide to Performance Measure Management
was produced by the following:**

Legislative Budget Board

John Keel, CPA, Director
John Barton, MSSW
Sam Martin, BA

Governor's Office of Budget and Planning

Albert Hawkins, MPA, Director
Ara Merjanian, MBA
Sylvia Ibanez, MPA

State Auditor's Office

Lawrence F. Alwin, CPA, State Auditor
Deborah Kerr, Ph.D.
Elizabeth Arnold, CIA, CGFM
Verma Elliott, MBA
Rebekah Janes, Tech Writer
Charnetha Grayson, Document Design Technician

This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most SAO reports may be downloaded from our Internet site: <http://www.sao.state.tx.us>

In compliance with the Americans with Disabilities Act, this document may also be requested in alternate formats. To do so, contact Production Services at (512) 479-4740 (Voice), (512) 479-4884 (FAX), 1-800-RELAY-TX (TDD), or visit Two Commodore Plaza, 206 E. Ninth Street, Room 19.100, Austin, Texas 78701.

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

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