

An Audit Report on

# Performance Measures at Five State Agencies

March 2005

Report No. 05-030



**State  
Auditor's  
Office**

**John Keel, CPA  
State Auditor**

# Performance Measures at Five State Agencies

## Overall Conclusion

Reliable results were reported for 58 percent (11 of 19) of the fiscal year 2004 performance measures audited. This reliability rate is slightly lower than the cumulative average reliability rate of 61 percent for prior audits of performance measure results (see Figure 1 on page iii).

The reliability percentages by agency for the measures audited are as follows:

- Texas Youth Commission - 100 percent reliable (5 of 26 key measures audited)
- Office of the Public Utility Counsel - 100 percent reliable (3 of 8 key measures and 1 non-key measure audited)
- Railroad Commission - 25 percent reliable (4 of 23 key measures audited)
- Office of Rural Community Affairs - 25 percent reliable (4 of 8 key measures audited)
- Cancer Council - 0 percent reliable (2 of 6 key measures audited)

The reliability percentages were calculated using the results from the measures that were audited.

The reported results for 10 of the 11 reliable measures were certified with qualification because the agencies' controls over data collection and reporting could be improved to ensure continued reliability. A result is considered reliable if it is classified as certified or certified with qualification.

### Background

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

The four possible certification results are as follows:

- A measure is **Certified** if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.
- A measure is **Certified With Qualification** if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy; or results are within +/-5 percent and controls are strong, but source documentation is unavailable.
- A measure is **Inaccurate** when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.
- **Factors Prevent Certification** when actual performance cannot be determined because of insufficient documentation and inadequate controls, or there is deviation from the measure definition and the auditor cannot determine the correct result.



## Key Points

The results for 10 measures were certified with qualification; 1 was certified without qualification.

While the results reported for 11 of the 19 measures were reliable, the continued reliability of 10 of those cannot be assured. Control weaknesses, such as a lack of supervisory review of results and undocumented policies and procedures for collecting and calculating measure data, create a risk that future results will not be reliable.

The results for six measures were inaccurate.

Five of the six inaccurate results were caused by agencies' using the wrong data to calculate their measures. The remaining inaccurate result occurred because the data the agency used to calculate the measure contained errors.

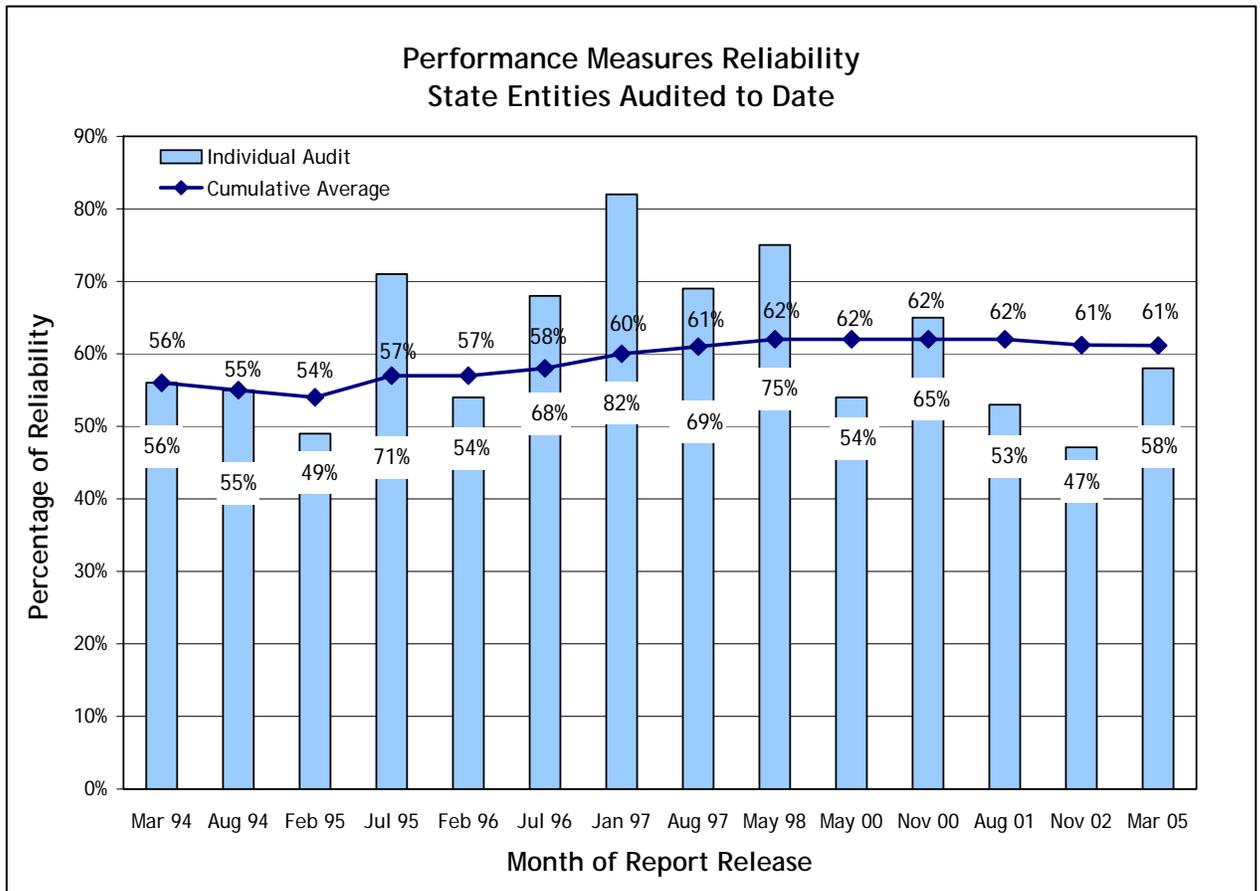
Factors prevented the certification of results for two measures.

Two measures could not be certified because the agencies did not retain supporting documentation that was sufficient to demonstrate that the events they were measuring (providing services and recruiting practitioners) actually occurred. As a result, there were no data for the auditors to use to re-create the reported results.

Table 1

Audit Results for Fiscal Year 2004						
Entity	Reliable		Unreliable		Total Measures Audited	Reliability Percentage
	Certified	Certified With Qualification	Inaccurate	Factors Prevented Certification		
Cancer Council	0	0	1	1	2	0%
Office of Public Utility Counsel	0	4	0	0	4	100%
Office of Rural Community Affairs	0	1	2	1	4	25%
Railroad Commission	1	0	3	0	4	25%
Texas Youth Commission	0	5	0	0	5	100%
<b>Total</b>	<b>1</b>	<b>10</b>	<b>6</b>	<b>2</b>	<b>19</b>	
<b>Percentage</b>	<b>5.3%</b>	<b>52.6%</b>	<b>31.6%</b>	<b>10.5%</b>		<b>58%</b>

Figure 1



### *Summary of Management's Response*

The agencies generally agree with our findings and recommendations. All of the agencies' responses indicate that they are addressing the issues identified. (See page 16 for comments provided by the Railroad Commission.)

### *Summary of Information Technology Review*

Based on our testing, general and application controls over the Railroad Commission's, the Office of Rural Community Affairs, and the Texas Youth Commission's information systems appear adequate to ensure that the data supporting their performance measures is accurate and reliable. However, the

Railroad Commission and the Office of Rural Community Affairs have not tested their disaster recovery plans since the plans' inception. Also, both need to improve security over their systems to protect against unauthorized access and accidental or intentional damage or changes.

The Cancer Council's and the Office of Public Utility Counsel's processes for calculating performance measure results are primarily manual.

### ***Summary of Objectives, Scope, and Methodology***

Our objectives were to determine whether selected state entities (1) are accurately reporting their performance measures to the Automated Budget and Evaluation System of Texas and (2) have adequate control systems in place over the collection and reporting of their performance measures.

The scope consisted of testing selected performance measure results reported by five state entities for fiscal year 2004 to determine whether they were accurate. We also reviewed controls over the submission of data used in reporting performance measures. We traced performance information to the original source whenever possible.

Our methodology consisted of selecting entities and measures to audit, auditing results for accuracy and adherence to the measure definitions, evaluating controls over the performance measure certification process and related information systems, and testing samples of source documentation.

# Contents

## *Detailed Results*

---

Chapter 1 Cancer Council .....	1
Chapter 2 Office of Public Utility Counsel .....	5
Chapter 3 Office of Rural Community Affairs.....	8
Chapter 4 Railroad Commission .....	14
Chapter 5 Texas Youth Commission .....	19

## *Appendix*

---

Objectives, Scope, and Methodology.....	22
-----------------------------------------	----

# Detailed Results

Chapter 1

## Cancer Council

Cancer Council (Agency No. 527)			
Related Objective or Strategy, Classification	Description of Measure	Results Reported in ABEST	Certification Results
A.1.1 Output	Number of People Directly Served by Council-funded Cancer Prevention and Control Activities	1,283,690	Factors Prevent Certification
A.1.1 Output	Number of Private and Public Grants Pursued by the Cancer Council and Local Contractors in an Effort to Increase Funding	211	Inaccurate
<p>A measure is <b>Certified</b> if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.</p> <p>A measure is <b>Certified With Qualification</b> if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy; or results are within +/-5 percent and controls are strong, but source documentation is unavailable.</p> <p>A measure is <b>Inaccurate</b> when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.</p> <p><b>Factors Prevent Certification</b> when actual performance cannot be determined because of insufficient documentation and inadequate controls or when there is deviation from the measure definition and the auditor cannot determine the correct result.</p>			

Key Measure

### Number of People Directly Served by Council-funded Cancer Prevention and Control Activities

Factors prevent the certification of this measure because the Cancer Council (Council) did not maintain adequate documentation to support the results reported in the Automated Budget and Evaluation System of Texas (ABEST). Specifically, the Council did not maintain source documents such as affidavits including teachers' assertions on the number of students served, training rosters, and sign-in sheets for fiscal year 2004. Without these documents, we could not recalculate and verify the reported results for this measure.

**Results: Factors Prevent Certification**

Actual performance cannot be determined because of insufficient documentation and inadequate controls, or there is deviation from the measure definition and the auditor cannot determine the correct result.

In addition, the reported performance was not calculated in accordance with the measure definition and the methodology. The Council included mass-media efforts, which the definition specifically excludes.

The Council cannot ensure that future results will be accurate because of a lack of review of supporting documentation during on-site monitoring visits, data calculations, and entry into ABEST.

## Recommendations

The Council should:

- Keep source documentation that supports the performance measure results.
- Obtain approval from the Legislative Budget Board for the measure calculation and methodology and ensure that only data consistent with the definition and methodology are reported.
- Implement a review process to ensure that accurate data is calculated and reported to ABEST. During on-site monitoring visits, Council staff should also review supporting documents such as affidavits, rosters, and sign-in sheets to ensure that the data can be substantiated.

## Management's Response

*The Texas Cancer Council **accepts** the finding and recommendation for this key measure. Procedures have been revised to ensure that the recommendations are met.*

*Recommendation: Keep source documentation that supports the performance measure results.*

*TCC-funded programs have always been required to keep detailed supporting documents in their files so that their performance could be verified in an audit. Monitoring Procedures have been implemented which will require a review of this level of detail in supporting documentation reported quarterly by funded initiatives. Any discrepancies will be reported to the Executive Director and immediate steps taken to correct with program staff. New Procedures are already in place.*

*Recommendation: Obtain approval from the Legislative Budget Board for the measure calculation and methodology and ensure that only data consistent with the definition and methodology are reported.*

*The Texas Cancer Council believes the numbers it entered into ABEST did not include "mass media." The agency's ABEST entry included households with children served with an educational document that was delivered into households with the local newspaper, not as an article or advertisement within the paper. The Cancer Council agrees that the methodology used to estimate the number of households with children reached, although acceptable in the media industry, is not clearly identified under our current measure definition.*

*Therefore, The Texas Cancer Council has requested a modification to the measure definition and calculation methodology that will allow TCC-funded*

*initiatives to include in their reported numbers cancer prevention and control activities that serve large populations if the intervention is targeted at a specific population, the intervention is uniquely created to reach the target audience, and there is a generally accepted methodology for estimating the number of people served with good confidence (greater than or equal to 95%) and a low margin of error (less than 5%).*

***Recommendation:** Implement a review process to ensure that accurate data is calculated and reported to ABEST. During on-site monitoring visits, Council staff should also review supporting documents such as affidavits, rosters, and sign-in sheets to ensure that the data can be substantiated.*

*Monitoring Procedures have been implemented to ensure a greater level of review of source documentation during on site monitoring visits. In addition, funded initiatives not scheduled for on-site monitoring during a fiscal year will provide to TCC staff source documentation necessary to conduct a thorough desk review. Any discrepancies will be reported to the Executive Director and immediate steps taken to correct with program staff. New Procedures are already in place.*

Key Measure

### **Number of Private and Public Grants Pursued by the Cancer Council and Local Contractors in an Effort to Increase Funding**

Because the Council included grants from fiscal years 2003 and 2005 in the calculation of the performance result for fiscal year 2004, the reported performance was not accurate.

**Results: Inaccurate**

Reported performance is not within +/-5 percent of actual performance, or there are more than two errors in the sample tested.

In addition, the Council cannot ensure that future results will be accurate because the calculations of the results are not reviewed before they are entered into ABEST and the data entered into ABEST are not reviewed before final release.

Furthermore, the measure definition is not specific regarding when a grant should be counted.

### **Recommendations**

The Council should:

- Implement a review process to ensure that accurate data is calculated and reported. Council staff should substantiate the data through on-site reviews of grant applications as the methodology requires.
- Consult with the Legislative Budget Board and obtain approval for when a grant should be counted for this measure and ensure that only data consistent with the measure definition and methodology are reported.

## Management's Response

*The Texas Cancer Council **accepts** the finding and recommendation for this key measure. Procedures have been revised to ensure that recommendations are met.*

*Recommendation: Implement a review process to ensure that accurate data is calculated and reported. Council staff should substantiate the data through on-site reviews of grant applications as the methodology requires.*

*Monitoring Procedures have been implemented that will require a review of source documentation, rather than the summary data that was previously reviewed, for this measure. TCC staff will be able to substantiate quarterly that all numbers reported for this measure are grants pursued during the current fiscal year. Any discrepancies will be reported to the Executive Director and immediate steps taken to correct with program staff.*

*Recommendation: Consult with the Legislative Budget Board and obtain approval for when a grant should be counted for this measure and ensure that only data consistent with the measure definition and methodology are reported.*

*The Executive Director will consult with the Legislative Budget Board and seek to clarify when a grant should be counted for this measure.*

*Monitoring Procedures have been implemented that will require a review of the source documentation for this measure during on-site monitoring visits. Any discrepancies will be reported to the Executive Director and immediate steps taken to correct with program staff.*

**Office of Public Utility Counsel**

Office of Public Utility Counsel (Agency No. 475)			
Related Objective or Strategy, Classification	Description of Measure	Results Reported in ABEST	Certification Results
A Outcome	Percentage of OPUC Electric Proceedings That are Competition Related	58%	Certified With Qualification
A.1.1 Output	Number of Electric Projects in Which OPUC Participates	15	Certified With Qualification
B Outcome	Percent of OPUC Telecommunications Proceedings That Are Competition Related	69%	Certified With Qualification
A Outcome	Bill Savings for Electric Customers (Non-Key Measure)	\$58,105,679 <sup>a</sup>	Certified With Qualification

<sup>a</sup> The result for this measure was not reported in ABEST because the measure is non-key.

A measure is **Certified** if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.

A measure is **Certified With Qualification** if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy; or results are within +/-5 percent and controls are strong, but source documentation is unavailable.

A measure is **Inaccurate** when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.

**Factors Prevent Certification** when actual performance cannot be determined because of insufficient documentation and inadequate controls or when there is deviation from the measure definition and the auditor cannot determine the correct result.

Key Measures

**Percentage of OPUC Electric Proceedings That Are Competition Related**

**Percent of OPUC Telecommunications Proceedings That Are Competition Related**

**Results: Certified With Qualification**

Reported performance is within +/-5 percent of actual performance, but controls over data collection and reporting are not adequate to ensure continued accuracy. Or results are within +/-5 percent and controls are strong, but source documentation is unavailable.

The Office of Public Utility Counsel’s (Counsel) reported results for these two measures were accurate. However, the Counsel does not have (1) documented criteria for designating proceedings as competition related or (2) written policies and procedures for entering data, calculating results, and reporting performance measure results into ABEST. These situations could prevent continued accuracy.

## Recommendations

The Counsel should:

- Document the reasons for designating electric and telecommunication proceedings as competition related.
- Develop and implement written policies and procedures for data entry, calculation, and reporting for performance measures.

## Management's Response

*Agree. The agency has implemented a process for documenting the reasons for designating electric and telecommunication proceedings as competition related. The agency is in the process of developing written policies and procedures for data entry, calculation, and reporting for performance measures. The agency expects the written policies and procedures to be implemented by April 1, 2005.*

Key Measure

### Number of Electric Projects in Which OPUC Participates

Non-Key Measure

### Bill Savings for Electric Customers

The Counsel's reported results for these measures were accurate. However, supervisors do not consistently review summary and source documentation for these measures, which prevents the assurance of continued accuracy. For example, the summary documents for the bill savings measure did not match supporting documentation for 12.5 percent of the items in the population tested.

#### Results: Certified With Qualification

Reported performance is within +/-5 percent of actual performance, but controls over data collection and reporting are not adequate to ensure continued accuracy. Or results are within +/-5 percent and controls are strong, but source documentation is unavailable.

As mentioned above, the Counsel also does not have written policies and procedures for entering data, calculating results, and reporting performance measure results into ABEST.

## Recommendations

The Counsel should document and implement a review process and written policies and procedures to ensure that accurate data is entered, calculated, and reported for these measures.

## Management's Response

*Agree. The agency is in the process of developing written policies and procedures for data entry, calculation, and reporting for performance measures. The agency expects the written policies and procedures to be implemented by April 1, 2005.*

## Office of Rural Community Affairs

Office of Rural Community Affairs (Agency No. 375)			
Related Objective or Strategy, Classification	Description of Measure	Results Reported in ABEST	Certification Results
<b>A</b> Outcome Measure	Percent of Small Communities' Population Benefiting from Public Facility, Economic Development, Housing Assistance and Planning Projects	37%	Inaccurate
<b>A.1.1</b> Output Measure	Number of New Community/Economic Development Contracts Awarded	278	Certified with Qualification
<b>B.1.1</b> Output Measure	Number of Primary Care Practitioners Recruited to Rural Communities	70	Factors Prevent Certification
<b>B.2.1</b> Output Measure	Number of Low Interest Loans and/or Grants Awarded	36	Inaccurate

A measure is **Certified** if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.

A measure is **Certified With Qualification** if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy; or results are within +/-5 percent and controls are strong, but source documentation is unavailable.

A measure is **Inaccurate** when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.

**Factors Prevent Certification** when actual performance cannot be determined because of insufficient documentation and inadequate controls or when there is deviation from the measure definition and the auditor cannot determine the correct result.

### Key Measure

## Percent of Small Communities' Population Benefiting from Public Facility, Economic Development, Housing Assistance and Planning Projects

The Office of Rural Community Affairs (Office) does not have a review process over data entry and calculations to ensure that the number of beneficiaries in the Office's database is accurate. Consequently, our testing

found that the number of beneficiaries was incorrect (either overstated or understated) in 7.6 percent of the items in the sample tested. The database is used to report data on beneficiaries from public facility, economic development, and housing assistance and planning projects.

### Results: Inaccurate

Reported performance is not within +/-5 percent of actual performance, or there are more than two errors in the sample tested.

In addition, written policies and procedures documenting data collection, entry, and calculation for the measure exist but need to be formally approved by management.

## Recommendations

The Office should:

- Implement a review process to ensure that the data entry, calculation, and reporting of measure results are accurate.
- Finalize and formally approve policies and procedures for the data entry, calculation, and reporting for this measure.

## Management's Response

*Management agrees with the finding. The Office of Rural Community Affairs will revise its process to ensure that the data entry, calculation, and reporting of measure results are accurate. ORCA will finalize and formally approve policies and procedures for data entry, calculation, and reporting for this measure.*

*As part of this effort, ORCA will rely on the Oracle database for the numbers used in the calculation and will ensure that the numbers in the database used for the calculation reflect any revisions in project beneficiaries. Recently, ORCA devoted programming time to incorporate the city and county population data into the Oracle database, which was previously only available in the Q&A database. This will allow the agency to make all calculations out of the one database.*

*Person responsible for implementing the corrective action: Director of the Community Development Division*

*Time line for implementation: Completion by May 1, 2005*

Key Measure

### **Number of New Community/Economic Development Contracts Awarded**

The Office's reported results for this measure were accurate, but a lack of supervisory review prevents the assurance of continued accuracy. The data generated from the database for the number of contracts awarded is not reviewed against supporting documentation by a supervisor before it is entered into ABEST. Additionally, written policies and procedures documenting data collection, entry, and calculation for the measure exist but need to be formally approved by management.

**Results: Certified With Qualification**

Reported performance is within +/-5 percent of actual performance, but controls over data collection and reporting are not adequate to ensure continued accuracy. Or results are within +/-5 percent, and controls are strong, but source documentation is unavailable.

## Recommendations

The Office should:

- Implement and document a quarterly review process of the number of awarded contracts listed in the database against supporting documentation.
- Finalize and formally approve policies and procedures for the data entry, calculation, and reporting for this measure.

## Management's Response

*Management agrees with the finding. ORCA will enhance its review process covering the number of awarded contracts entered into Oracle. The agency will add a documented, quarterly management review process so that the number of awards for the quarterly period conforms to the appropriate Action Items for that period. The agency will develop written policies and procedures for data entry, calculation and reporting and will formally approve them.*

*Responsible person: Director of the Community Development Division*

*Time line for implementation: Completion by May 1, 2005*

Key Measure

### Number of Primary Care Practitioners Recruited to Rural Communities

Factors prevent the certification of this measure because the Office did not maintain adequate documentation to support the results reported in ABEST. Specifically:

- The Office did not maintain sufficient evidence of practitioners recruited from third-party organizations such as proof of employment and hire dates.
- The Office does not have sufficient controls over the practitioner recruitment data collection and measure calculations to ensure that they are accurate and complete. Information such as names of practitioners, hire dates, and recruitment sources were missing from supporting documentation.

**Results: Factors Prevent Certification**

Actual performance cannot be determined because of insufficient documentation and inadequate controls, or there is deviation from the measure definition and the auditor cannot determine the correct result.

Furthermore, the Office is not following the methodology for the measure, which requires the data to be reported from one of the Office's six specific rural recruitment and retention programs. The Office included practitioners in

its count that were recruited from sources other than the six specified in the methodology.

Finally, written policies and procedures documenting data collection, entry, and calculation for the measure exist but need to be formally approved by management.

## Recommendations

The Office should:

- Obtain and maintain all source documentation that supports the performance measure results, including names, hire dates, and recruiting sources.
- Implement a quarterly review process to ensure that practitioner data is accurate and complete.
- Ensure that only data consistent with the methodology for the measure are reported.
- Finalize and formally approve policies and procedures for the data entry, calculation, and reporting for this measure.

## Management's Response

*Management agrees with the finding. The agency will obtain and maintain all source documentation that supports the performance measure results, including names, hire dates, and recruiting source. The agency will implement a quarterly review process to ensure that practitioner data is accurate and complete to ensure that only data consistent with the methodology for the measure are reported. The agency will finalize and formally approve policies and procedures for data entry, calculation and reporting this measure.*

*Responsible person: Director of the Rural Health Division*

*Time line for implementation: Completion by May 1, 2005*

## Number of Low Interest Loans and/or Grants Awarded

**Results: Inaccurate**

Reported performance is not within +/-5 percent of actual performance, or there are more than two errors in the sample tested.

Because the Office did not include 10 grants and loans awarded to public and non-profit hospitals, the reported performance for this measure is inaccurate and was underreported by 21.7 percent. The Office does not have sufficient controls over the review of data on the grants and loans awarded and measure calculations to ensure that they are accurate.

Additionally, written policies and procedures documenting data collection, entry, and calculation for the measure exist but need to be formally approved by management.

### Recommendations

The Office should:

- Implement and document a quarterly review process of the grant and loan award data and measure calculations prior to entry into ABEST to ensure that they are accurate.
- Finalize and formally approve policies and procedures for the data entry, calculation, and reporting for this measure.

### Management's Response

*Management agrees with the finding. The agency will develop a quarterly review process of the grant and loan award data and measure calculations prior to entry into ABEST to ensure that it is accurate. The agency will formally approve policies and procedures for data entry, calculation and reporting this measure.*

*Responsible person: Director of the Rural Health Division*

*Time line for implementation: Completion by May 1, 2005*

### Information Technology

Based on our testing, general and application controls over the Oracle database appear adequate to ensure that the data supporting the Office's performance measures are accurate and reliable. However, as discussed above, the Office does not always use the appropriate data when calculating measure results. The Oracle database contains information on new community and economic development contracts and on low interest loans and grants awarded. We also identified weaknesses related to business continuity and logical access controls. Specifically:

- The Office has not tested its disaster recovery plan since its inception in March 2002. The Texas Administrative Code, Section 202.24(5)(e), requires state agencies to test its disaster recovery plan formally or informally at least annually to ensure that mission-critical functions can be resumed quickly.
- The Office's information systems policy does not contain a security policy related to passwords or authentication that establishes the rules for the creation, use, distribution, safeguarding, termination, and recovery of user authentication mechanisms, such as passwords. Such a policy is required by Texas Administrative Code, Section 202.25(g)(12). Developing and implementing a policy related to password creation and use will minimize the risk of unauthorized access to the data.
- Although the Office has password requirements for its network, such requirements for the Oracle database have not been established. According to Texas Administrative Code, Section 202.25(c)(4), information resource systems that use passwords shall be based on industry best practices for password usage and documented agency security risk management decisions. Industry best practices require that passwords are a minimum character length; a combination of letters, numbers, and special characters; and changed on a regular basis.

## Recommendations

The Office should:

- Conduct an annual test of its disaster recovery plan in accordance with the Texas Administrative Code, Section 202.24(5)(e).
- Establish password requirements for the Oracle database in accordance with best practices and Texas Administrative Code, Section 202.25(c)(4), and update the information systems policy to address the password requirements.

## Management's Response

*Management agrees with the observation. The agency will conduct an annual test of the disaster recovery plan in accordance with the Texas Administrative Code, Section 202.24(5)(E). Password requirements will be established for the Oracle database in accordance with best practices and Texas Administrative Code 202.25 (c) (4) and the Information Systems Policy will be updated to address the password requirements. The agency is developing a disaster recovery plan that will also include provisions for business continuity, which will specifically address additional IS issues.*

*Responsible person: Director of Operations*

*Time line for implementation: Completion by May 1, 2005*

**Railroad Commission**

Railroad Commission (Agency No. 455)			
Related Objective or Strategy, Classification	Description of Measure	Results Reported in ABEST	Certification Results
<b>A Outcome</b>	Percentage of Known Orphaned Wells Plugged with the Use of State Funds	9.96%	Certified
<b>A.2.1 Output</b>	Number of Pollution Sites Investigated, Assessed, or Cleaned up with the Use of State Funds	313	Inaccurate
<b>B Outcome</b>	Average Number of Pipeline Safety Violations Per Equivalent 100 Miles of Pipe Identified through Inspections	4.70	Inaccurate
<b>B.1.1 Output</b>	Number of Pipeline Safety Inspections Performed	2,561	Inaccurate

A measure is **Certified** if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.

A measure is **Certified With Qualification** if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy; or results are within +/-5 percent and controls are strong, but source documentation is unavailable.

A measure is **Inaccurate** when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.

**Factors Prevent Certification** when actual performance cannot be determined because of insufficient documentation and inadequate controls or when there is deviation from the measure definition and the auditor cannot determine the correct result.

Key Measure

**Number of Pollution Sites Investigated, Assessed, or Cleaned up with the Use of State Funds****Results: Inaccurate**

Reported performance is not within +/-5 percent of actual performance, or there are more than two errors in the sample tested.

The Railroad Commission's (Commission) reported result for this measure was inaccurate. The Commission included pollution sites for which clean-up was not completed in fiscal year 2004. Consequently, our testing found that the number of pollution sites was over-reported for three of the items in the sample tested.

**Recommendations**

The Commission should include only those pollution sites that are investigated, assessed, or cleaned up in the fiscal year being measured.

**Management's Response**

*The Commission agrees with this recommendation and the Assistant Director of Site Remediation will implement changes by April 2005.*

*Of the 3 issues identified, one involved a valid invoice that was submitted late by the contractor, after the site was closed and counted as completed. The other two involved cleanup activities that extended from one fiscal year to the next. The Commission will issue formal guidance to staff to further define “complete” site cleanup activities. In addition, the Commission will consult with the Legislative Budget Board to revise or adjust the measure definition to further define the term “complete” within the method of calculation.*

Key Measure

### **Average Number of Pipeline Safety Violations per Equivalent 100 Miles of Pipe Identified through Inspections**

The Commission’s reported result for this measure was inaccurate. The Commission used the number of miles in the distribution, transmission, and

**Results: Inaccurate**

Reported performance is not within +/-5 percent of actual performance, or there are more than two errors in the sample tested.

hazardous systems rather than the miles inspected, which is what the definition and the methodology for the measure require. Consequently, our testing found that the number of miles of pipe was inaccurately reported (either overstated or understated) in 16.9 percent of the sample items tested.

Additionally, supervisors do not review data entry and calculations for the measure result before it is entered into ABEST.

### **Recommendations**

The Commission should:

- Calculate the measure results using the number of miles inspected as required by the measure’s definition and methodology.
- Implement and document a quarterly review process of the calculations and the data entered into ABEST to ensure their accuracy.

### **Management’s Response**

*The Commission agrees with these recommendations and will implement changes by May 2005.*

*The Director of Safety Division will be responsible for implementing the management actions to report the number of miles inspected as noted on the inspection report rather than the number of miles identified in the pipeline system database. In addition, the Commission will consult with the Legislative Budget Board to revise or adjust the measure definition to further define the method of calculation.*

*The Safety Division will implement a review process of the calculations and the data entered into ABEST to ensure their accuracy.*

Key Measure

## Number of Pipeline Safety Inspections Performed

**Results: Inaccurate**

Reported performance is not within +/-5 percent of actual performance, or there are more than two errors in the sample tested.

The Commission's reported result for this measure was inaccurate. The Commission used the number of pipeline safety inspections started in fiscal year 2004 rather than the number conducted to report the results for this measure. The measure definition and the methodology require the Commission to report the number of pipeline safety inspections conducted.

Additionally, supervisors do not review data entry and calculations for the measure before it is entered into ABEST.

### Recommendations

The Commission should:

- Include only the number of pipeline safety inspections conducted in reported performance as required by the definition and the methodology.
- Implement and document a quarterly review process of the calculations and the data entered into ABEST to ensure their accuracy.

### Management's Response

*The Commission does not agree that this measure is inaccurate. Since this measure was established, the Commission has consistently reported the number of inspections initiated within the reported period, rather than the number of inspections completed. Some safety inspections may take several months up to a year to be "completed" and could cross fiscal reporting periods. No errors were found in the audit sample under the definition that has consistently been used in reporting this measure. The Commission will consult with the Legislative Budget Board to revise or adjust the measure definition to further define "conducted" inspections as inspections initiated in the fiscal year.*

*The Safety division will implement a review process of the calculations and the data entered into ABEST to ensure their accuracy. This review process is expected to be in place by May 2005.*

### Auditor's Follow-Up Comment

Management's response does not change the State Auditor's Office's (SAO) finding and recommendation. The SAO obtained guidance from the Legislative Budget Board in interpreting the measure definition and

determined that the Commission should include the number of pipeline safety inspections completed in a fiscal year to report the results for the measure.

## Information Technology

Based on our testing, general and application controls over the Commission's mainframe and database appear adequate to ensure that the data supporting the Commission's performance measures is accurate and reliable. However, as discussed above, the Commission does not always use the appropriate data when calculating measure results. The mainframe and the database contain information related to wells, pipeline safety inspections, and pollution sites.

The Commission's business continuity plan and database access controls need improvement. Specifically:

- The Commission has not tested its disaster recovery plan since the plan's inception in November 2001. The Texas Administrative Code, Section 202.24(5)(e), requires state agencies to test their disaster recovery plans at least annually to ensure that mission-critical functions can be resumed quickly.
- The Commission does not sufficiently restrict internal access to its database. Thirty-two individuals have full access; however, only three staff members enter or update the data. There is a risk that employees not authorized to make changes may do so. The Texas Administrative Code, Section 202.25(c)(2), requires that user's access authorization be appropriately modified when the user's job responsibilities within the state agency change.

## Recommendations

The Commission should:

- Conduct an annual test of its disaster recovery plan in accordance with the Texas Administrative Code, Section 202.24(5)(e).
- Restrict edit and update access to the Commission's database to only those employees who need it.

## Management's Response

*The Commission agrees with these recommendations. The Director of Information Technology Services will be responsible for implementing the management actions to resolve the issues.*

*A review and update of the Commission's Business Continuity Plan (BCP) is currently under way at the Commission. The Commission's Disaster Recovery Plan will be updated in conjunction with the BCP re-evaluation that is expected to be complete by the end of FY2005. Upon completion of the updated Disaster Recovery Plan, a test will be scheduled and conducted in accordance with Texas Administrative Code, Section 202.24(5)(e). An annual test of the disaster recovery plan will be scheduled and conducted annually from that point forward.*

*A review of the access rights to the Commission's "Plug" Rbase database is currently being performed to review the access of the individuals who currently have full access to the database. Upon completion of this review, edit and update access will be restricted to only those employees who need it. This review is expected to be complete prior to the end of March 2005.*

Texas Youth Commission (Agency No. 694)			
Related Objective or Strategy, Classification	Description of Measure	Results Reported in ABEST	Certification Results
A.1.2 Output	Average Daily Population: Institutional Programs	3,935.41	Certified With Qualification
A.1.3 Output	Average Daily Population: Contract Programs	608.31	Certified With Qualification
A.1.3 Efficiency	Capacity Cost in Contract Programs Per Youth Day	\$98.46	Certified With Qualification
A.1.4 Output	Average Daily Population: Halfway House Programs	209.77	Certified With Qualification
A.1.5 Efficiency	Cost of Health Care Services Per Youth Day	\$7.15	Certified With Qualification

A measure is **Certified** if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.

A measure is **Certified With Qualification** if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy; or results are within +/-5 percent and controls are strong, but source documentation is unavailable.

A measure is **Inaccurate** when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.

**Factors Prevent Certification** when actual performance cannot be determined because of insufficient documentation and inadequate controls or when there is deviation from the measure definition and the auditor cannot determine the correct result.

## Key Measures

**Average Daily Population: Institutional Programs**  
**Average Daily Population: Contract Programs**  
**Average Daily Population: Halfway House Programs**  
**Cost of Health Care Services per Youth Day**  
**Capacity Cost in Contract Programs per Youth Day**

The Texas Youth Commission's (Commission) reported results for these

**Results: Certified With Qualification**

Reported performance is within +/-5 percent of actual performance, but controls over data collection and reporting are not adequate to ensure continued accuracy. Or results are within +/-5 percent and controls are strong, but source documentation is unavailable.

measures were accurate. However, the calculations for the three Average Daily Population measures are not consistently reviewed by supervisors before they are entered into ABEST, and the data in ABEST for all five are not consistently reviewed before final release. The lack of consistent reviews prevents the assurance of continued accuracy.

## Recommendation

The Commission should implement and document a quarterly review process of the measure calculations and data entered into ABEST to ensure their accuracy.

## Management's Response

*See management's response on the next page.*

## Information Technology

Based on our testing, general and application controls over the Correctional Care System (CCS) appear adequate to ensure that data supporting the Commission's performance measures are accurate and reliable. The CCS is a mainframe database application that contains information on all youth committed to the Texas Youth Commission.



**TEXAS YOUTH  
COMMISSION**

**DWIGHT HARRIS**  
Executive Director

**LINDA S. REYES, PH.D.**  
Deputy Executive Director

**COMMISSION MEMBERS**

**THE HONORABLE PETE C. ALFARO**  
Chairman, Baytown

**NICHOLAS T. SERAFY, JR.**  
Vice-Chairman, Brownsville

**STEVE FRYAR**  
Brownwood

**PATSY REED GUEST**  
Duncanville

**DON BETHEL**  
Lamesa

**BILL MAHOMES**  
Dallas

**GOGI DICKSON, PH.D.**  
San Antonio

March 1, 2005

Mr. John Keel, CPA  
State Auditor  
Robert E. Johnson Building  
1501 North Congress Avenue  
Austin, Texas 78701

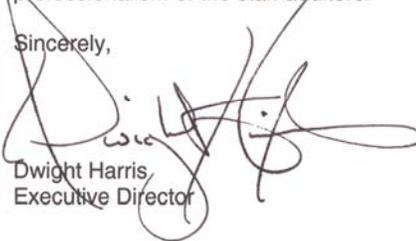
Dear Mr. Keel:

The Texas Youth Commission appreciates the opportunity to respond to the report on Performance Measures Certification. Management concurs with the recommendation, and the Assistant Deputy Executive Director of Finance and the Director of Research are responsible for implementing specific changes.

The Commission has initiated documentation of quarterly review of data entered into ABEST for fiscal year 2005. Staff other than the person entering the data has always reviewed the entry and will now maintain documentation of signed review before release into ABEST. Additionally, the Commission will also implement a review process for measure calculations that includes independent biennial review of the statistical programs used to calculate the measures, documentation of any changes to the computer programs, and documentation of quarterly review of calculations for official reports. The changes are underway and written procedures will be finalized by August 31, 2005 as part of the agency's comprehensive internal review of performance measures procedures.

Again, we appreciate the opportunity to respond to this report and the professionalism of the staff auditors.

Sincerely,



Dwight Harris,  
Executive Director

4900 N. Lamar  
Austin, Texas 78751  
P.O. Box 4260  
Austin, Texas 78765  
(512) 424-6130 (Voice)  
1-800-RELAY-TX (TDD)



Equal Opportunity Employer

# *Appendix*

## *Objectives, Scope, and Methodology*

---

### Objectives

The objectives of this audit were to:

- Determine whether selected state entities are accurately reporting their performance measures to the Automated Budget and Evaluation System of Texas (ABEST) database.
- Determine whether selected state entities have adequate control systems in place over the collection and reporting of their performance measures.

### Scope

Our audit included selected measures at five state entities:

- Cancer Council
- Office of the Public Utility Counsel
- Office of Rural Community Affairs
- Railroad Commission
- Texas Youth Commission

We audited performance measure results reported by state entities for fiscal year 2004 to determine whether they were accurate. We also reviewed controls over the submission of data used in reporting performance measures. We traced performance information to the original source whenever possible.

### Methodology

We audited the accuracy of performance measures using the following procedures:

- The State Auditor's Office and the Legislative Budget Board (LBB) chose agencies and measures to be reviewed based on risk factors identified by the LBB and the State Auditor's Office.
- We selected measures from the population of key performance measures in ABEST and included one non-key measure in our analysis. ABEST data was selected because state decision makers rely upon it. All entities

completed questionnaires related to their performance measurement processes to help identify preliminary control information for each entity.

- We audited calculations for accuracy and to ensure that they were consistent with the methodology that the entity and the LBB agreed on.
- We analyzed the flow of data to evaluate whether proper controls were in place.
- We tested a sample of source documents to verify the accuracy of reported performance.
- We conducted a high-level review of all information systems that support the performance measure data.
- We reported performance measure results in one of four categories: (1) Certified, (2) Certified With Qualification, (3) Inaccurate, or (4) Factors Prevent Certification.

### **Project Information**

Audit fieldwork was conducted from November 2004 through February 2005. This audit was performed in accordance with generally accepted government auditing standards.

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

- Vandita Zachariah, MA, MBA (Project Manager)
- Jennifer Wiederhold (Assistant Project Manager)
- Asunsolo Vicente Arambula, CPA
- Rachel Cohen, CPA
- Michelle DeFrance, MA
- David Dowden
- Barbette Mays
- Amadou Ngaide, MBA
- Margaret Nicklas
- Mark Schnorrenberg, MBA
- Luis Solis
- Dorvin Handrick, CISA, CDP (Information System Audit Team)
- Serra Tamur, MPAff, CISA, CIA (Information System Audit Team)
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- J. Scott Killingsworth, CIA (Quality Control Reviewer)
- Sandra Vice, CIA, CGAP (Audit Manager)

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

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

### **Office of the Governor**

The Honorable Rick Perry, Governor

### **Cancer Council**

Mr. James D. Dannenbaum, Chairman, Board of Directors  
Members of the Board of Directors  
Ms. Sandra K. Balderrama, MPA, BSW, Executive Director

### **Office of Public Utility Counsel**

Ms. Suzi Ray McClellan, Public Counsel

### **Office of Rural Community Affairs**

Mr. William M. Jeter III, Chairman, Executive Committee  
Members of the Executive Committee  
Mr. Charles S. Stone, Executive Director

### **Railroad Commission**

Mr. Victor G. Carrillo, Chairman  
Railroad Commissioners  
Mr. Ronald Kitchens, Executive Director

### **Texas Youth Commission**

Mr. Pete C. Alfaro, Chairman, Board of Directors  
Members of the Board of Directors  
Mr. Dwight Harris, Executive Director



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

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

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

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