



An Audit Report on

Performance Measures at the Office of Public Utility Counsel

April 2018
Report No. 18-027



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Overall Conclusion

For three of the four key performance measures tested, the Office of Public Utility Counsel (Office) accurately reported results for the measures into the Automated Budget and Evaluation System of Texas (ABEST) and ensured that controls over the performance measure data were operating effectively.

For one of the four performance measures tested—Average Cost Per Utility Case in Which OPUC Participates—the Office accurately reported results for fiscal year 2017; however, it did not report accurate results for that measure for the first quarter of fiscal year 2018. In addition, while the Office had controls in place around the reporting of the performance measure audited, it did not have controls in place to ensure the accuracy of one data element used to calculate the Average Cost Per Utility Case in Which OPUC Participates performance measure.

Background Information

Created in 1983, the Texas Office of Public Utility Counsel (Office) represents residential and small commercial consumers in electric, telecommunications, and water and wastewater utility matters.

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

Key performance measures are:

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

Sources: **The Office's** Web site and *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).

Table 1 summarizes the certification results of the performance measures tested.

Table 1

Performance Measure Results for the Office of Public Utility Counsel (Agency No. 475)				
Related Objective or Strategy, Classification	Description of Performance Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a
A. 1.1, Outcome	Percentage of OPUC Utility Cases That Are Competition Related	2017	38.5%	Certified
A. 1.1, Output	Number of Utility Cases in Which OPUC Participates	2017	39	Certified
		First Quarter 2018 ^b	27	Certified
A. 1.1, Efficiencies	Average Cost Per Utility Case in Which OPUC Participates	2017	\$23,188.99	Certified with Qualification
		First Quarter 2018 ^b	\$6,178.65	Inaccurate
B. 1.1, Output	Number of Utility Projects in Which OPUC Participates	First Quarter 2018 ^c	23	Certified

This audit was conducted in accordance with Texas Government Code, Section 2101.038.

*For more information regarding this report, please contact **Audrey O'Neill**, Audit Manager, or **Lisa Collier**, First Assistant State Auditor, at (512) 936-9500.*

Performance Measure Results for the Office of Public Utility Counsel (Agency No. 475)				
Related Objective or Strategy, Classification	Description of Performance Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a
<p>^a A performance measure is certified if reported performance is accurate within plus or minus 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.</p> <p>A performance measure is certified with qualification when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A performance measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure is also certified with qualification if agency calculation of performance deviated from the performance measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.</p> <p>A performance measure is inaccurate when the actual performance is not within 5 percent of the reported performance, or when there is a 5 percent or greater error rate in the sample of documentation tested. A performance measure also is inaccurate if the agency's calculation deviated from the performance measure definition and caused a 5 percent or greater difference between the number reported to ABEST and the correct performance measure result.</p> <p>A factors prevented certification designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the performance measure definition and the auditor cannot determine the correct performance measure result.</p> <p>^b The Office reported this performance measure in ABEST on a quarterly basis; therefore, auditors tested this performance measure for fiscal year 2017 and the first quarter of fiscal year 2018.</p> <p>^c The Number of Utility Projects in Which OPUC Participates was a new performance measure included in the General Appropriations Act (85th legislature). The Office was required to report results for that performance measure beginning in the first quarter of fiscal year 2018.</p>				

Summary of Management's Response

At the end of Chapter 2 in this report, auditors made a recommendation to address the issues identified during this audit. The Office agreed with the recommendation in this report.

Audit Objectives and Scope

The objectives of this audit were to determine whether the Office:

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

The scope of this audit included one key performance measure that the Office reported for fiscal year 2017 (September 1, 2016, through August 30, 2017), two key performance measures that the Office reported for fiscal year 2017 and the first quarter of fiscal year 2018 (September 1, 2017, through November 30, 2017), and one key performance measure that the Office reported for the first quarter of fiscal year 2018.

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Detailed Results

Chapter 1

The Office Reported Reliable Results for Three Performance Measures Tested

The Office of Public Utility Counsel (Office) reported reliable results for three key performance measures tested. A performance measure is considered reliable if the results are determined to be certified or certified with qualification.

The Office reported reliable results for the following three key performance measures, all of which were certified:

- Percentage of OPUC Utility Cases That Are Competition Related – For fiscal year 2017, the Office accurately reported the number of cases that it designated as competition related as a percentage of the total number of cases in which it participated during the fiscal year. This performance measure is reported annually.
- Number of Utility Cases in Which OPUC Participates – For fiscal year 2017 and the first quarter of fiscal year 2018, the Office accurately reported the total number of utility cases in which it participated.
- Number of Utility Projects in Which OPUC Participates – For the first quarter of fiscal year 2018, the Office accurately reported the total number of projects in which it participated. This performance measure was a new measure starting in fiscal year 2018.

For all three performance measures, auditors verified that (1) the Office's submissions into the Automated Budget and Evaluation System of Texas (ABEST) was within 5 percent of actual performance and (2) controls were adequate to help ensure the continued accuracy of the data reported. Specifically, for all three performance measures, the Office established effective policies and processes over its performance measure collection, calculation, and reporting. It also maintained documentation to support the information it reported into ABEST for each performance measure.

Cases and Projects

The Office provides legal representation and technical expertise related to consumer interests in different categories. Those include:

Cases, which include contested Public Utility Commission (Commission) proceedings in which the Office intervenes.

Projects, which include rulemakings, workshops, and stakeholder workgroups.

Source: **The Office's Annual Report for Fiscal Year 2017.**

Certified

A performance measure is certified if reported performance is accurate within plus or minus 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

Source: *Guide to Performance Measure Management (State Auditor's Office Report No. 12-333, March 2012).*

The Office Reported Reliable Results for Fiscal Year 2017 and Unreliable Results for the First Quarter of Fiscal Year 2018 for One Performance Measure Tested

For fiscal year 2017, the Office reported reliable results for the Average Cost Per Utility Case in Which OPUC Participates performance measure. That measure was certified with qualification for fiscal year 2017. While the Office had controls over most of its performance measure calculation and reporting process, it did not have sufficient controls to ensure the accuracy of one data element used to calculate the Average Cost Per Utility Case in Which OPUC Participates. As a result of that control weakness, the Office reported inaccurate results for the performance measure in the first quarter of fiscal year 2018.

To calculate the performance measure results, the Office uses two cost components: (1) the salary paid to employees (calculated as an hourly rate) multiplied by the total number of case hours each employee reported for the quarter, and (2) the sum of the amounts it paid to outside expert witnesses for services provided during the quarter. The Office adds these two cost components together to calculate the total cost for the quarter, and it then divides that amount by the number of cases in which the Office participated in during the quarter to determine the average cost.

Overall, the Office has established policies and review processes to help ensure accuracy in its performance measure reporting. However, the Office did not have a review process in place to ensure the accuracy of a classification in its timekeeping system, which the Office uses to calculate the Average Cost Per Utility Case in Which OPUC Participates. Specifically, for the first quarter of fiscal year 2018, auditors determined that the Office misclassified a utility case in the timekeeping system as a utility project. To calculate the performance measure results, the Office uses only hours worked on utility cases. The misclassification resulted in the omission of 292 case hours (reported between three individuals) from the Office's performance measure

Certified with Qualification

A performance measure is certified with qualification when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A performance measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure is also certified with qualification if agency calculation of performance deviated from the performance measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

Source: *Guide to Performance Measure Management (State Auditor's Office Report No. 12-333, March 2012)*.

Inaccurate

A performance measure is inaccurate when the actual performance is not within 5 percent of the reported performance, or when there is a 5 percent or greater error rate in the sample of documentation tested. A performance measure also is inaccurate if **the agency's calculation deviated from** the performance measure definition and caused a 5 percent or greater difference between the number reported to ABEST and the correct performance measure result.

Source: *Guide to Performance Measure Management (State Auditor's Office Report No. 12-333, March 2012)*.

calculation for that quarter. As a result, the Office understated the total costs for the quarter by \$13,813.92 and understated in ABEST the average cost of its participation by \$511.62 (8.3 percent).

After auditors brought this error to the Office's attention, it updated its performance measure reporting for the first quarter of fiscal year 2018 to reflect the corrected results.

Recommendation

The Office should implement controls to verify the accuracy of its classification of utility projects and cases in its internal timekeeping system.

Management's Response

OPUC management agrees that controls should be implemented to verify the accuracy of its classification of utility projects and cases in its internal timekeeping system. OPUC has implemented controls to verify the classification of utility projects and cases in its internal timekeeping system.

Person Responsible: Legal Assistant

Date of Implementation: February 16, 2018

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Office of Public Counsel (Office):

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

Scope

The scope of this audit included one key performance measure that the Office reported for fiscal year 2017 (September 1, 2016, through August 31, 2017), two key performance measures that the Office reported for fiscal year 2017 and the first quarter of fiscal year 2018 (September 1, 2017, through November 30, 2017), and one key performance measure that the Office reported for the first quarter of fiscal year 2018.

Methodology

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions; evaluating controls over the Office's performance measure calculation processes; testing documentation; and assessing the reliability of the data obtained from the Office's internal timekeeping system, which supported the reported performance measure results for one measure audited.

Data Reliability and Completeness

Auditors assessed the reliability of the data from the Office's internal timekeeping system related to the following key performance measure audited: Average Cost Per Utility Case in Which OPUC Participates.

To do that, auditors (1) determined population completeness and reasonableness; (2) reviewed the process to generate data from the timekeeping system related to the calculation of the performance measure; (3) interviewed and obtained information from Office staff; (4) reviewed source documentation for performance measure data; and (5) evaluated information technology general controls including user access and

application controls. Auditors determined that the timekeeping system was functioning as intended and that network access to the application was appropriately limited. Therefore, the data in that system was determined to be reliable for purposes of the audit. While auditors determined that the underlying data in the system was accurate and complete, auditors identified a control weakness related to the classification of utility cases and projects, as discussed in Chapter 2.

Additionally, while no automated data sources were used to compile performance measures results for the other three performance measures audited, auditors reviewed documentation to assess the completeness and reasonableness of the information used to calculate those three performance measures.

Sampling Methodology

For the Number of Utility Cases in Which OPUC Participates, Average Cost Per Utility Case in Which OPUC Participates, and Number of Utility Projects in Which OPUC Participates performance measures, auditors selected nonstatistical samples through random selection. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population. Auditors used the sample to test whether controls over the performance measures were operating effectively to ensure that performance measure results were accurate and to determine whether the Office was accurately reporting its performance measures in ABEST.

Information collected and reviewed included the following:

- Performance measure information reported in ABEST.
- The Office's summary and source documents used for calculating the performance measure results.
- Reports generated from the Office's internal timekeeping system used to calculate performance measure results.
- Supporting documentation for the performance measures audited that the Office retained in hard-copy files.

Procedures and tests conducted included the following:

- Interviewed Office staff to gain an understanding of the processes used to calculate performance measures.
- Reviewed performance measure calculations for accuracy and to determine whether the calculations were consistent with the definitions

on which the Office, the Legislative Budget Board, and the Governor's Office of Budget, Planning, and Policy agreed.

- Tested a sample of source documents to verify the accuracy of reported performance.
- Reviewed certain controls in the Office's internal timekeeping system, which supports one of the performance measures audited.
- Assessed performance data results in one of the four categories: Certified, Certified with Qualification, Inaccurate, or Factors Prevented Certification.

Criteria used included the following:

- The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, August 2012).
- ABEST performance measure definitions.
- The Office's policies and procedures.

Project Information

Audit fieldwork was conducted from December 2017 through March 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

- Jeffrey Daniel Criminger (Project Manager)
- Joseph T. Fredrick, CPA (Assistant Project Manager)
- John Felchak
- David Garcia Benitez
- Richard Wyrick
- Dana Musgrave, MBA (Quality Control Reviewer)
- Audrey O'Neill, CIA, CFE, CGAP (Audit Manager)

Copies of this report have been distributed to the following:

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The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Office of the Public Utility Counsel

Ms. Tonya Baer, Public Counsel



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