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An Audit Report on

Performance Measures at the Texas Facilities Commission

June 2013

Report No. 13-039

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Overall Conclusion

The Texas Facilities Commission (Commission) reported unreliable results for 4 (67 percent) of 6 key performance measures tested for fiscal year 2012. A result is considered reliable if it is certified or certified with qualification.

Of the six key performance measures tested for fiscal year 2012, two performance measures were determined to be inaccurate and factors prevented certification of two performance measures. The remaining two key performance measures were determined to be certified with qualification.

Two key performance measures were determined to be inaccurate because (1) the error rate for the samples of documentation tested was more than 5 percent or (2) the Commission's calculation deviated from the performance measure definition, resulting in a more than 5 percent difference between the number that the Commission reported to the Automated Budget and Evaluation System of Texas (ABEST) and the correct performance measure result calculated by auditors based on Commission-provided information.

The following two key performance measures tested were inaccurate for fiscal year 2012:

- Total Number of Leases Awarded, Negotiated, or Renewed.
- Average Cost Per Square Foot of All Building Maintenance.

Factors prevented the certification of two key performance measures. The reported results for those two performance measures were considered unreliable. 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 auditors cannot determine the correct performance measure result.

Factors prevented certification of the following two key performance measures tested for fiscal year 2012:

- Percentage of Completed Construction Projects on Schedule within Budget.

Background Information

The Texas Facilities Commission (Commission) supports state government through:

- Performing strategic planning.
- Managing assets.
- Designing state facilities.
- Building state facilities.
- Maintaining state facilities.
- Leasing state facilities.
- Reallocating and/or disposing of state and federal surplus equipment.

The Commission's total appropriations were \$112,066,470 for fiscal year 2012.

Sources: The Commission's strategic plan and the General Appropriations Act (82nd Legislature).

➤ Percent Reduction of Leased Square Footage of Office and Warehouse Space.

For the Percentage of Completed Construction Projects on Schedule within Budget performance measure, the Commission did not have adequate source documentation to support key factors in its calculation, including budget amounts, planned start dates, and planned end dates.

For both performance measures, the Commission did not calculate the results according to the performance measures' definitions. The Commission could not provide auditors reliable data for recalculating the Percent Reduction of Leased Square Footage of Office and Warehouse Space performance measure. In addition, auditors noted inconsistencies among the performance measure's title, definition, and methodology in ABEST.

Two key performance measures were determined to be certified with qualification and were, therefore, reliable. 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 also is certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure also is certified with qualification if Commission calculation of performance deviated from the performance measure definition and caused more than a 5 percent difference between the number reported to ABEST and the correct performance measure result calculated by auditors based on Commission-provided information.

Two key performance measures tested were certified with qualification for fiscal year 2012 because, while the reported results were reliable, the controls over data collection and reporting were not adequate to ensure continued accuracy:

- Total Square Footage of Office and Warehouse Space Leased.
- Cost per Square Foot of Privatized Custodial Services.

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

Table 1

Texas Facilities Commission (Agency No. 303)				
Related Objective or Strategy, Classification	Description of Performance Measure	Fiscal Year	Results Reported in (ABEST)	Certification Results ^a
A., Outcome	Percentage of Completed Construction Projects on Schedule within Budget	2012	88.00%	Factors Prevented Certification
A.1.1, Output	Total Number of Leases Awarded, Negotiated, or Renewed	2012	235	Inaccurate
A.1.1, Efficiencies	Percent Reduction of Leased Square Footage of Office and Warehouse Space	2012	(4.16)%	Factors Prevented Certification
A.1.1, Explanatory	Total Square Footage of Office and Warehouse Space Leased	2012	10,127,618	Certified with Qualification
B.1.1, Efficiencies	Cost Per Square Foot of Privatized Custodial Services	2012	\$0.06	Certified with Qualification
B.2.1, Efficiencies	Average Cost Per Square Foot of All Building Maintenance	2012	\$1.36	Inaccurate

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

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

Summary of Management's Response

The Commission generally agreed with the recommendations in this report. The Commission did not agree with all of the auditors' conclusions related to the Percentage of Completed Construction Projects On Schedule Within Budget performance measure. The information in the Department's management response did not cause the State Auditor's Office to modify the conclusions in this report.

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

Summary of Information Technology Review

Auditors assessed controls over the Commission's information systems and the automated processes used for the Commission's performance measure data. The Commission collects and calculates its performance measures primarily using spreadsheets maintained on its local area network. In addition, the Commission uses three vendor-hosted, third-party applications to collect key data:

- MicroMain -This application maintains work orders and associated costs, including labor and parts.
- ManagePath -This application maintains lease information.
- IMPACT - This application maintains construction projects, budget, and schedule information.

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

Auditors determined that the Commission should improve certain controls over its information systems. Because of the vendor-hosted applications' current configuration limitations and errors in the data, the Commission does not solely use the applications to calculate the performance measure results. Instead, the Commission used manual processes to calculate and report each performance measure tested. To strengthen controls over the data in those three applications, the Commission should improve its process of monitoring the vendors, especially in the areas of password controls and user account management.

Summary of Objectives, Scope, and Methodology

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

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

The audit scope included all six key performance measures the Commission reported for fiscal year 2012.

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions, evaluating controls over performance measure calculation processes, testing documentation, and assessing

the reliability of the data obtained from the Commission's information systems that support performance measure data.

Auditors reviewed the reliability of data from the three vendor-hosted applications significant to the performance measures tested. Auditors determined that the data in the three vendor-hosted applications were sufficiently reliable for the purposes of this audit of the six performance measures tested. Auditors identified weaknesses with the accuracy of some data in the systems audited; however, those weaknesses did not affect the overall reliability of the data. The Commission does not solely rely on the systems' data to collect and calculate data for its performance measures. The Commission used spreadsheets and manual processes to collect and calculate the data for the six performance measures tested.

Auditors communicated other, less significant issues related to the Commission's performance measure methodologies and controls over its information technology separately to Commission management in writing.

Other Information

A family member of the State Auditor is the executive director for the Texas Facilities Commission, which was the subject of this audit. This condition could be seen as potentially affecting our independence in reporting results related to this agency. This condition did not affect our audit conclusions. This condition is discussed further in Appendix 1 of this report.

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Detailed Results

Chapter 1

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

Auditors reviewed all six of the Texas Facilities Commission's (Commission) key performance measures. The Commission should improve certain controls that affect all performance measures tested. Specifically, the Commission should conduct and document reviews of performance measure data before it finalizes the results and enters them into the Automated Budget and Evaluation System of Texas (ABEST). The Commission also should improve its general information technology controls to help ensure that the data in its systems is reliable for the reporting of performance measures.

Chapter 1-A

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

The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012) states that agencies should implement procedures for performing documented reviews of all performance data entered into ABEST before they complete the submission of their performance measure results.

The Commission had documented procedures for the data entry of performance data into ABEST for fiscal year 2012. Those procedures included steps for multiple levels of review, first by directors within the Commission and then by budget staff for accuracy. After the reviewer verifies that the calculations were entered accurately, the reviewer is supposed to sign and date a copy of the performance measure spreadsheet before the results are finalized and submitted into ABEST. However, the Commission had documentation that those reviews occurred for only the first quarter of fiscal year 2012 for the six performance measures tested. The Commission did not have any documentation showing that the required reviews had been completed for the second, third, and fourth quarters of fiscal year 2012. As a result, auditors were unable to determine whether those reviews occurred. Without adequate, documented reviews, the Commission faces an increased risk of reporting inaccurate performance measures results.

Recommendation

The Commission should consistently conduct and document its reviews of data entered into ABEST before it completes the submission of performance measure data into ABEST.

Management's Response

The Commission agrees with the recommendation. The Commission has had procedures in place for documenting the review of performance measures entered into ABEST prior to submission. Staff has been reminded to follow the procedures which include initialing the document once they have completed their review.

Responsible Staff: Budget and Finance

Implementation Date: Completed.

Chapter 1-B

The Commission Should Improve Certain Controls Over Its Information Systems

The Commission should improve its general information technology controls to help ensure that the data in its systems is reliable for the reporting of

The Commission's Vendor-Hosted Applications

The Commission has three applications significant to the key performance measures tested. Those applications are:

- ManagePath - This application is provided by Fischer Solutions, Inc. and maintains lease information.
- IMPACT - This application is provided by Parsons/3DI and maintains construction project budgets and schedule information.
- MicroMain - This application is provided by the MicroMain Corporation and maintains work orders and associated costs, including labor and parts.

performance measures. The Commission collects and calculates its performance measures primarily using spreadsheets maintained on its local area network. Auditors noted weaknesses in the protection of the performance measure spreadsheets and the network on which the spreadsheets are stored.

In addition to the spreadsheets, the Commission uses three vendor-hosted, third-party applications to collect some key performance measure data (see text box). The Commission asserts that because of the applications' configuration limitations and errors in the data, it does not solely use those applications to calculate the performance measure results. Instead, the Commission uses highly manual processes to calculate and report each performance measure. To strengthen controls over the data in the three applications, the Commission should

improve its process of monitoring the vendors, especially in the areas of password controls and user account management.

Auditors identified the following weaknesses in the controls over the performance measure spreadsheets the Commission uses and over the network on which the spreadsheets are stored:

- Performance measure spreadsheets are not password-protected and are maintained on a shared network drive that has generic user accounts with write and delete permissions. Using unsecured spreadsheets make this information susceptible to unauthorized changes.

- The Commission maintains user account information and passwords for MicroMain in an unprotected spreadsheet. When auditors notified the Commission of this issue, it added password protection to the spreadsheet.
- The Commission did not appropriately restrict access to the performance measure data stored on the shared network drive. Of 153 network user accounts reviewed, 136 (89 percent) had access to the network drive that stores performance measure data. Performance measure data should be restricted to users with a business need to access that data.
- The Commission does not have documentation showing that it performs periodic reviews of user network access. The Commission stated that it performs user network access reviews on an individual's account during an employee's hiring and termination procedures and documents those reviews on an Information Systems Account Management (ISAM) form.

Auditors also identified some areas reported in the vendors' Statement on Standards for Attestation Engagements (SSAE) No. 16¹ reports, in which the Commission should improve its monitoring of vendor applications and disaster recovery plans. Specifically:

- The Commission did not ensure that that vendor's password controls are sufficient for MicroMain. Although password length and complexity are set, passwords do not expire and no password history is maintained.
- The Commission did not ensure that the disaster recovery plan for IMPACT was tested at least annually or reviewed and revised at least annually to update changes in personnel and contact information so that the vendor's disaster recovery plans remain current. The disaster recovery plan for IMPACT was last reviewed in 2010. Failure to maintain an updated disaster recovery plan increases the likelihood of business interruption or loss of essential data in the case of an emergency.

Auditors reviewed user accounts for each of the applications and noted the following:

- Two vendor applications—IMPACT and ManagePath—had user accounts with inappropriate access. Three IMPACT users who were not current employees of the Commission had either administrator or edit capabilities. Two user accounts in ManagePath were associated with former employees and had current access to the application. MicroMain had generic user accounts that were not assigned to individual users.

When auditors notified the Commission about the user account issues in all three applications, the Commission initiated contact with the vendors to

¹ An SSAE No. 16 engagement is an in-depth audit of a third-party service organization.

remove or modify access appropriately. Failure to adequately monitor user access rights and disable the access of users whose job duties no longer require access increases the susceptibility of data to unauthorized access and changes.

Recommendations

The Commission should:

- Limit access to performance measure spreadsheets by restricting access to users with a business need for access to the data.
- Perform and document regular, periodic reviews of user access.
- Monitor vendor application logical security to ensure that password and access controls are in place and that disaster recovery plans are tested annually.

Management's Response

- *The Commission agrees with the recommendations. The Commission has fully implemented the recommendation to further restrict access to the performance measure spreadsheets. Additionally, even prior to implementation of this recommendation, all Commission performance measure spreadsheets resided on the Commission's information network and required user authentication to access shared and restricted directories.*
- *The Commission currently reviews user access when changes are made to the user's account and agrees that a periodic agency-wide review of user access would strengthen the Commission's existing policy. The agency-wide review will be conducted on an annual basis.*
- *The Commission agrees with the recommendation to monitor vendor application logical security. This responsibility had previously been decentralized among program areas but has now been centralized under Information Technology. Disaster recovery plans will be tested annually.*

Responsible Staff: Information Technology

Implementation Date:

Item 1: Completed.

Item 2: Annual agency-wide reviews of user access will be conducted beginning tentatively in October 2013.

Item 3: Reassignment of monitoring of vendor application logical security has been completed; annual testing of disaster recovery plans will be completed in January 2014.

The Commission Reported Unreliable Results for Four of Six Key Performance Measures Tested

The Commission reported unreliable results for 4 (67 percent) of the 6 key performance measures tested for fiscal year 2012. A result is considered reliable if it is certified or certified with qualification. The Commission had documented policies and procedures in place for all six performance measures tested. In addition, the Commission had documentation showing that division directors had reviewed the majority of each quarter's performance measure calculations before the results were submitted to the ABEST coordinator. However, auditors identified weaknesses in the Commission's controls and processes for each of the six performance measures tested. In addition, the definitions in ABEST for five of the six performance measures tested need clarification because of inconsistencies between the title, definition, and/or methodology.

Key Performance Measures

Percentage of Completed Construction Projects On Schedule Within Budget

Factors prevented certification of this performance measure for fiscal year 2012 because the Commission could not provide adequate documentation to support key factors in the calculation of this performance measure. In

addition, the performance measure methodology in ABEST did not match the Commission's calculation of the performance measure, and auditors identified errors the Commission made when calculating this performance measure. Because of all those factors, auditors could not recalculate the correct performance measure results.

Results: Factors Prevented Certification

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.

The Commission has documented some of its processes for calculating this performance measure. While the Commission tracks some key construction project data for this performance measure in IMPACT, the Commission's project information system, the

Commission has determined that the data in that system is not reliable.

Therefore, the Commission uses a manual process to collect and verify the data and to calculate this performance measure. Auditors identified several significant weaknesses in those processes, which are discussed below.

The Commission did not retain adequate source documentation.

The Commission's process of calculating this performance measure includes collecting key information, such as projects' substantial completion dates, budget amounts, planned start dates, and planned end dates. The planned start and end dates determine a project's length, which is compared to the actual time the Commission took to complete the project. However, the Commission could not provide adequate documentation to support all planned start dates,

planned end dates, and budget amounts. Without documentation for those key factors, auditors could not validate the information the Commission used and recalculate this performance measure.

The Commission lacks adequate controls over its processes for collecting, calculating, and reviewing this performance measure.

The Commission's processes were not sufficient to ensure the accuracy of reported results. Auditors identified several errors in the Commission's calculations for the reported fiscal year 2012 results. Specifically:

- The Commission incorrectly included 5 (20 percent) of 25 projects tested in its fiscal year 2012 performance measure calculations. Those five projects were substantially completed in fiscal year 2011 and, therefore, should not have been reported in fiscal year 2012. Buildings associated with those projects were part of a multi-building project, and the final building was completed in fiscal year 2012. The Commission included all of the buildings in fiscal year 2012, rather than calculating the performance measure results based on the completion dates for each building. The Commission's documented policies and procedures do not include processes for calculating multi-building projects.
- The Commission incorrectly recorded the budget amounts for 3 (15 percent) of 20 projects tested in its calculation spreadsheet.

The Commission also has not sufficiently documented all of its processes for collecting data for this performance measure. Specifically, the policies and procedures for the performance measure do not include procedures for how to collect the performance measure data. This increases the risk of errors in the calculation process and the risk that performance measure results could be calculated using inconsistent methodologies by different staff.

The performance methodology in ABEST does not include a detailed methodology for calculating the percentage of a project's budget and does not reflect the Commission's processes for calculating and reporting this performance measure.

The performance measure definition in ABEST does not include a methodology for how the Commission should calculate the percentage of projects completed within budget. The current methodology in ABEST does not include enough information about a project's budget to be clearly understood or a description of the calculation that is detailed enough to allow the budget portion of the performance measure to be replicated. The Commission's process is to allow for up to a 5 percent budget contingency overage. While the ABEST definition allows a 5 percent deviation for determining whether a project has been completed on time, it does not contain any reference to a contingency overage for the budget calculations.

The Commission also deviated from the ABEST definition in determining a project's substantial completion date. According to the ABEST definition, the Commission should determine a project's substantial completion date using the American Institute of Architect's document G704-2000 - Certificate of Substantial Completion by the Contractor, Architect/Engineer and Owner. However, for 23 (92 percent) of 25 projects tested, the Commission used its own form for determining the substantial completion date. The form the Commission used contained the same elements as the specified form outlined in the performance measure definition. All forms contain a signature by the architect/engineer, the contractor, and the project manager (as a representative of the Commission), as well as the date of issuance.

In addition, the policies and procedures for this performance measure state that the Commission should be collecting the data for this performance measure from IMPACT. However, as discussed above, the Commission does not fully use the data from IMPACT and, instead, manually validates the data based on other source documentation. IMPACT contains most key information the Commission needs to calculate this performance measure. However, if the Commission decided to use IMPACT more, it would need to strengthen the accuracy and completeness of the data in that system. Specifically:

- The change order type field is not always recorded in IMPACT, or the type entered in IMPACT does not always match the type indicated in the source documentation.
- IMPACT contained incorrect substantial completion dates for 7 (28 percent) of 25 projects tested.
- IMPACT contained inaccurate budget amounts for 3 (15 percent) of 20 projects tested.

Recommendations

The Commission should:

- Retain adequate and consistent documentation to support the key factors it uses to calculate the Percentage of Completed Construction Projects On Schedule Within Budget performance measure.
- Develop policies and procedures for the collection of performance measure data, and retain consistent documentation for each element of the performance measure calculation. A supervisor or individual other than the person who entered the data should periodically review the data entered for accuracy and completeness and document those reviews.

- Work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to ensure that the performance measure definition is clear and specific. In addition, if the Commission continues to use its own form to determine the substantial completion date, it should discuss removing the reference to the specific substantial completion form used in the current definition.

In addition, if the Commission decides to use the data in IMPACT to calculate performance measure results in the future, it should develop procedures to ensure data accuracy and/or capture key performance measure data that is not currently in IMPACT.

Management's Response

The Commission generally agrees with the recommendations of strengthening policies and procedures as it relates to supporting documentation and periodic supervisory review. The Commission will work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to clarify the title, definition, and methodology in ABEST to prevent any future misunderstanding about the data used to calculate the measure and will also update the policies and procedures accordingly.

Although the SAO found some audit exceptions in their review and testing, the Commission respectfully disagrees with the summary conclusion in Chapter 2 that four of the six measures' results were unreliable based on what in several cases were either timing differences as to the period in which transactions/activities were recorded or legitimate differences in interpretation of the factors comprising the measures, as discussed below and in other management responses that follow.

The following are points of clarification the Commission would like to make regarding the highlighted issues and the Commission will also clarify these items with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy:

- *Source documentation currently maintained by the Commission - The contract itself and certain transactions documented in a carefully controlled contract file, such as the Notice to Proceed and Certificate of Substantial Completion, are the true source documents that control establishment of the initial and final boundaries, including budget and time, of a contract for each construction project. The Commission believes the use and retention of these carefully maintained original documents meets the requirement for source documentation for this portion of the information needed to calculate the measure. The Commission recognizes that the internal procedures for calculating the measure incorrectly provided for the use of planned dates in IMPACT,*

rather than the actual approved and contractually binding start and end dates. Change order documentation for cost and time, however, is most thoroughly documented in IMPACT due to the work flow approval process that provides detailed review and approval by multiple levels of agency management of both the reasons for and value of the change as well as a secure record of the dates of those approvals. Therefore, while original documents in the contract file are the best source documents for Notices to Proceed and Certificates of Substantial Completion, records in IMPACT provide the best source documentation for change orders. When used in conjunction with one another, the Commission believes the contract files and change order documentation in IMPACT provide the most reliable data for calculating and reporting the performance measure.

- *Substantial completion date determination - Several of the projects referenced as being reported in the incorrect fiscal year for calculation of the performance measure involved installation of individual fire alarm systems in various buildings under one multi-building contract. This resulted in the issuance of separate Certificates of Completion as each phase of the contracted project (e.g., each fire alarm system) was installed and the issuance of one final, overall Certificate of Completion covering completion of the full scope of contracted services, a process that spanned fiscal years 2011 and 2012. Another project involved approved Change Orders to one contracted project that were erroneously tracked in the IMPACT system as separate projects. These transactions are fully documented and the Commission believes the issue of timing in determining the correct reporting period in these instances is a matter of interpretation that does not render the reported data unreliable or inaccurate.*
- *Budget deviation - There was no deviation from the total approved construction budget. The Commission's process allows for inclusion of a construction contingency of up to 5 percent in the total amount of the approved construction budget for each project. The inclusion of a contingency amount in the approved construction budget is an industry standard practice.*

Responsible Staff: Facilities Design and Construction

Implementation Date: Changes in measure title, definition, and methodology, if approved, will be reflected in the first quarterly reporting period of the 2014-2015 biennium.

Auditor Follow-up Comment

Auditors agree with the Commission's statement that source documentation such as the contract itself and Notice to Proceed are currently maintained by the Commission; however, the Commission's internal procedures for calculating the measure provided for the use of planned dates in IMPACT, rather than the actual approved and contractually binding start and end dates. Auditors requested and reviewed all available source documentation to support the planned start/end dates listed in IMPACT. However, the Commission did not have documentation to support all of those dates. Other documents that were available, such as the Notice to Proceed, contained different planned start dates.

In addition, all 25 projects tested had individual substantial completion forms. For five of those projects, the substantial completion forms were issued in fiscal year 2011; therefore, those five projects should not have been reported in fiscal year 2012.

The Commission's process for allowing the inclusion of a budget contingency for construction projects is not currently included in the measure definition methodology and was not approved by the Legislative Budget Board.

Percent Reduction of Leased Square Footage of Office and Warehouse Space

Results: Factors Prevented Certification

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.

Factors prevented certification of this performance measure for fiscal year 2012 because the Commission could not provide reliable data for recalculating the performance measure. Because of unreliable data, auditors could not test controls. In addition, the Commission is not calculating this performance measure according to the performance measure definition in ABEST. Auditors also noted inconsistencies between the performance measure's title, methodology, and definition in ABEST.

The Commission could not provide reliable data.

According to the performance measure's definition in ABEST, the Commission should calculate the results by (1) deducting the replaced amount of all leased space in the reporting period from the total amount of all leased space included in the Commission's inventory that is expiring during the reporting period and (2) dividing that number by the total amount of all the Commission's leased space expiring in the reporting period.

However, the Commission could not provide reliable replacement lease data for fiscal year 2012 because (1) it does not have a clear definition of a replacement lease; (2) replacement lease data is not readily available in its leasing software application, ManagePath; and (3) the spreadsheets the

Commission used to calculate the performance measure did not identify replacement lease information for all fiscal year 2012 leases. Specifically, the Commission captured replacement lease information for only one quarter of 2012.

The performance measure's title and methodology in ABEST are inconsistent.

The performance measure's methodology in ABEST is not consistent with its title. The title of the performance measure is the Percent Reduction of Leased Square Footage of Office and Warehouse Space; however, the calculation result using the methodology in ABEST will not provide results that match the title. Instead, the results would be the percentage change in the total amount of all leased space *expiring* in the reporting period and will not provide the correct *total* percent reduction of leased square footage of office and warehouse space.

The Commission's methodology differs from the methodology in ABEST.

As discussed above, the methodology in ABEST would not provide results that match the performance measure's title. Because of this, the Commission uses a methodology to calculate this performance measure that differs from the methodology in ABEST. The Commission calculated this performance measure by (1) deducting the total amount of leased space in the fourth quarter of the prior fiscal year from the total amount of leased space in the fourth quarter of the current fiscal year and (2) dividing that number by the total amount of leased space in the fourth quarter of the prior fiscal year. Therefore, the Commission does not include replacement leases in the calculation and considers only leases that are active, not expiring. The Commission considers this methodology to be a better way of providing information on how much leased space the Commission had at the end of the current fiscal year compared to the end of the previous fiscal year. However, the Commission did not discuss and obtain approval for this methodology from the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy during fiscal year 2012.

Recommendations

The Commission should:

- Document a definition of replacement leases and ensure that it captures replacement lease information.
- Work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to clarify the title, definition, and methodology in ABEST and identify the most appropriate methodology to calculate the Percent Reduction of Leased Square Footage of Office and Warehouse Space performance measure.

- Update the policies and procedures for this performance measure to ensure that the methodology appropriately includes each of the properties in the ABEST definition.

Management's Response

The Commission agrees with the recommendations. The Commission will work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to clarify the title, definition, and methodology in ABEST to prevent any future misunderstanding about the data used to calculate the measure and will also update the policies and procedures accordingly. The Commission has maintained detailed supporting documentation for the way the Commission calculated and reported the measure, including replacement leases documentation.

Responsible Staff: Planning and Real Estate Management, State Leasing Services

Implementation Date: Changes in measure title, definition, and methodology, if approved, will be reflected in the first quarterly reporting period of the 2014-2015 biennium.

Total Number of Leases Awarded, Negotiated, or Renewed

Results: Inaccurate

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

Control issues in the Commission's calculation of the performance measure resulted in more than a 5 percent error rate when auditors recalculated the performance measure. Because of that, the results were inaccurate.

In addition, the ABEST definition for this performance measure does not specify the dates that the Commission should use to determine the time period in which a lease should be reported. The ABEST methodology states that the total number of leases awarded, negotiated, or renewed for the "reporting period" should be calculated from the lease activity report. The Commission's policies and procedures state that a lease should be reported for the time period in which the lease was approved by the Commission's director. However, in calculating the fiscal year 2012 results, the Commission did not follow that methodology to report all leases using the dates they were approved. The Commission reported the leases for the time period in which the transaction was substantially complete, when the leases were presented to the governing board, or the date on which materials were required to be submitted for Commission meetings. As a result, the Commission used inconsistent cutoff dates and did not report all leases in the time periods in which they were approved. Specifically, the Commission reported 20 (67 percent) of 30 leases approved in the incorrect fiscal year. That error rate contributed to the inaccurate performance measure result.

Recommendations

To ensure that the Commission's processes are consistent with the performance measure definition in ABEST for Total Number of Leases Awarded, Negotiated, or Renewed, the Commission should either:

- Follow its policies and procedures and report leases for the time period in which the lease was approved; or
- Work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to modify the definition in ABEST to match the Commission's processes and update its documented policies and procedures to match ABEST.

Management's Response

The Commission generally agrees with the recommendation and will work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to modify the definition in ABEST to prevent any future misunderstanding about the data used to calculate the measure. Once approval to modify the definition is obtained, the Commission will update its documented policies and procedures accordingly.

As stated in the Audit Report, "the ABEST definition for this measure does not specify the dates that the Commission should use to determine the time period in which a lease should be reported." Please note the reported data was consistent with the performance measure definition. The Commission acknowledges that the use of the agency's agenda-setting deadlines to determine the leases to be included in a reporting period is not consistent with the instructions in the agency's internal procedures manual that specify the timeframe to be used to calculate the Average Lease Processing Time (days). However, the use of the agenda-setting procedures to determine the reporting period was consistently applied and the Commission has detailed supporting documentation for the way the Commission calculated the measure. The Commission believes the issue of timing in determining lease activity in the prior month, particularly given the absence of dates in the ABEST definition, is a matter of interpretation that does not render the reported data unreliable or inaccurate.

Responsible Staff: Planning and Real Estate Management, State Leasing Services

Implementation Date: Changes in measure definition, if approved, will be reflected in the first quarterly reporting period of the 2014-2015 biennium.

Average Cost Per Square Foot of All Building Maintenance

Results: Inaccurate

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

The Commission reported incorrect results for this performance measure that differed from auditors' recalculation by more than 5.0 percent. Specifically, auditors calculated a cost of \$1.48 per square foot for fiscal year 2012, which differed from the Commission's reported results of \$1.36 per square foot by 8.7 percent.

Auditors identified errors in the Commission's calculation of this performance measure's results. Specifically:

- The Commission incorrectly used budgeted revenues instead of actual revenues. That understated the Commission's calculated cost for fiscal year 2012 by \$306,353.
- The Commission incorrectly calculated encumbrances in fiscal year 2012, resulting in an overstatement of \$646,538.
- The Commission incorrectly subtracted security costs twice, instead of once, for two quarters of fiscal year 2012. The performance measure definition states that security costs should be excluded from the calculation of this performance measure. That understated the Commission's calculated cost for fiscal year 2012 by \$184,344.

MicroMain, the work order system the Commission used as source data to calculate the performance measure, is a live system and is continuously updated. The Commission did not keep a complete copy of MicroMain's data at year end, and it kept summary data instead. As a result, auditors could not re-create the data set the Commission used. The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012) states that additional documentation should be kept if a database does not contain an appropriate audit trail. Auditors recalculated this performance measure based on fiscal year 2012 costs in MicroMain as of February 2013. Auditors' calculated costs differed from the Commission's costs by a total of \$896,236. The Commission could not identify the source of the variance because the summary reports that it maintained did not have sufficient detail. As a result, auditors could not trace the changes to specific cost changes entered in MicroMain.

In addition, the performance measure's title in ABEST differs from the title in the General Appropriations Act (82nd Legislature). While the General Appropriations Act refers to "average costs," the title in ABEST refers only to "costs," which the Commission has interpreted to mean total costs. However, the definition and methodology in ABEST refer to average costs. The Commission is calculating the performance measure by dividing total costs by total square footage and reporting total costs per square foot.

While the Commission has documented policies and procedures for calculating this performance measure, it lacks documented procedures for entering data into MicroMain. While the Commission was able to sufficiently support the accuracy of a sample of cost data tested, the lack of documented procedures increases the risk that data could be inconsistently entered.

Recommendations

The Commission should:

- Ensure that its performance measure calculations for the Average Cost Per Square Foot of All Building Maintenance performance measure:
 - ♦ Includes actual revenues, not budgeted revenues, to offset the cost of building maintenance. The Commission also should define the specific type of revenues to include in the performance measure calculation.
 - ♦ Excludes costs, such as security costs, that are excluded by the performance measure definition and methodology in ABEST.
- Retain adequate documentation of primary data related to performance measures to support the reported performance. If the Commission's database does not contain an appropriate audit trail, the Commission should retain additional documentation to support the performance measure results.
- Work with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy to ensure that all properties of the ABEST definition for the Average Cost Per Square Foot of All Building Maintenance performance measure are consistent and that the definition includes a methodology for using revenues and encumbrances to offset the cost of building maintenance.
- Include in its documented policies and procedures specific steps for entering cost data into MicroMain.

Management's Response

The Commission agrees with the recommendations. Documented Commission policies and procedures were in place but these policies and procedures were not correctly followed. Current staff is being trained in the procedures to ensure accuracy and consistency in the calculation of costs as defined in ABEST. The Commission has already worked with the Legislative Budget Board ("LBB") to clarify certain issues and will continue to work with LBB and the Governor's Office of Budget, Planning, and Policy to ensure that all properties of the ABEST definition for this measure are consistent and include a methodology for using revenues and encumbrances to offset the cost of building maintenance.

Responsible Staff: Planning and Real Estate Management, Property Management Services

Implementation Date: Changes in measure definition and methodology, if approved, will be reflected in the first quarterly reporting period of the 2014-2015 biennium.

Total Square Footage of Office and Warehouse Space Leased

Auditors determined that this performance measure was certified with

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

qualification. The Commission's calculation of performance deviated from the performance measure definition in ABEST, but that caused less than a 5 percent difference between the number reported to ABEST and the result auditors recalculated. In addition to the control weaknesses discussed in Chapter 1, the Commission did not calculate the results for this performance measure in accordance with the performance measure's definition in ABEST. According to the performance measure definition, the reported result should be the sum of the total square feet included in all active leases. However, the Commission included leases that expired during the fourth quarter of fiscal year 2012 in its reported results for fiscal year 2012. That caused less than a 5 percent difference between the number reported to ABEST and the performance measure result auditors recalculated.

Recommendation

The Commission should include only active leases in its reported results for Total Square Footage of Office and Warehouse Space Leased to calculate the performance measure.

Management's Response

The Commission agrees with the recommendation.

Responsible Staff: Planning and Real Estate Management, State Leasing Services

Implementation Date: This change will be reflected in the first quarterly reporting period of the 2014-2015 biennium.

Cost per Square Foot of Privatized Custodial Services

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

Auditors determined that this performance measure was certified with qualification. The Commission's calculation of performance deviated from the performance measure definition in ABEST, but that caused less than a 5 percent difference between the Commission's reported result to ABEST and the result recalculated by auditors. However, in addition to the control weaknesses discussed in Chapter 1, auditors identified several other issues related to this performance measure.

The Commission does not have a documented definition of "cleanable space," which is a key factor in the calculations for this performance measure. In addition, the Commission used "cleanable space" square footage amounts that differed from the amounts outlined in the related contracts or purchase orders.

The performance measure definition in ABEST also was not consistent with the title and methodology. The performance measure title and methodology specify "cost per square foot of privatized custodial service." The definition, however, states that the performance measure "provides the average per square foot" for custodial services. The Commission calculated the performance measure using an average of monthly costs divided by total square footage.

The Commission does not consistently enter into MicroMain the costs from invoices for custodial services in a timely manner. Auditors identified some invoices the Commission received in July, August, and September 2012 that were not entered into MicroMain until April 2013. As part of its calculation for this performance measure, the Commission uses projected costs for some services. If the Commission does not enter and reconcile the actual costs with the projected costs in a timely manner, there is an increased risk that it may overstate or understate the costs.

Recommendations

The Commission should:

- Update policies and procedures to include a consistent definition of key terms outlined in the performance measure definition, such as “cleanable space,” and the process used to determine cleanable space for this performance measure.
- Work with the Legislative Budget Board and the Governor’s Office of Budget, Planning, and Policy to ensure that the title, definition, and methodology in ABEST for the Cost per Square Foot of Privatized Custodial Services performance measure are consistent.

Management’s Response

The Commission agrees with the recommendations.

Responsible Staff: Planning and Real Estate Management, Property Management Services

Implementation Date: Changes in measure title, definition, and methodology, if approved, will be reflected in the first quarterly reporting period of the 2014-2015 biennium.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Texas Facilities Commission (Commission):

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

Scope

The audit scope included all six key performance measures the Commission reported for fiscal year 2012.

Those six performance measures were:

- Percentage of Completed Construction Projects on Schedule within Budget (Outcome).
- Total Number of Leases Awarded, Negotiated, or Renewed (Output).
- Percent Reduction of Leased Square Footage of Office and Warehouse Space (Efficiencies).
- Total Square Footage of Office and Warehouse Space Leased (Explanatory).
- Cost Per Square Foot of Privatized Custodial Services (Efficiencies).
- Average Cost per Square Foot of All Building Maintenance (Efficiencies).

This performance audit was conducted in compliance 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. Those standards also require independence in both fact and appearance. A family member of the State Auditor is the executive director for the Commission²,

² Mr. Terry Keel is the Commission's executive director.

which was the subject of this audit. This condition could be seen as potentially affecting our independence in reporting results related to this agency. However, we proceeded with this audit as required by the Annual State Audit Plan, operated under the Legislative Audit Committee. The State Auditor recused himself from this audit, and the audit was supervised, reviewed, and approved by Chief of Staff Anita J. D'Souza. This condition did not affect our audit conclusions.

Methodology

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions, evaluating controls over performance measure calculation processes, testing documentation, and assessing the reliability of the data obtained from the Commission's information systems that support performance measure data.

Auditors assessed the reliability of the data by (1) determining population completeness and reasonableness; (2) reviewing queries used to generate data related to the calculation of the performance measures; (3) interviewing Commission employees and information technology administrators knowledgeable about the data and systems; and (4) reviewing source documentation for performance measure data, when possible.

Auditors reviewed the reliability of data from three information technology applications significant to the performance measures tested. Those applications were:

- MicroMain - This application maintains work orders and associated costs, including labor and parts.
- ManagePath - This application maintains lease information.
- IMPACT - This application maintains construction projects, budget, and schedule information.

Auditors determined that the data in those three applications was sufficiently reliable for the six performance measures tested for the purposes of this audit. Auditors identified some issues with the accuracy of some data in the applications audited, but it did not affect the overall reliability of the data. The Commission does not solely rely on system data to determine and report its performance measures. The Commission used spreadsheets and manual processes to collect and calculate the data for the six performance measures tested.

Auditors assessed input, process, and review controls for each performance measure and designed the sampling methodology based on that assessment. The sampling methodology for each performance measure was as follows:

- Percentage of Completed Construction Projects on Schedule within Budget – Auditors assessed controls as moderate for this performance measure. Auditors tested all 25 projects reported for fiscal year 2012 and the components of the calculation, including substantial completion forms, start/end dates, budget amounts, and change orders—both inclusions and exclusions.
- Total Number of Leases Awarded, Negotiated, or Renewed – Auditors assessed controls as moderate for this performance measure. Auditors selected a judgmental sample of 30 leases to determine whether the population was reasonable and complete. Because of errors in that sample, the population was not complete or reliable; therefore, no further testing was conducted for this performance measure.
- Percent Reduction of Leased Square Footage of Office and Warehouse Space – Auditors assessed controls as moderate for this performance measure. However, auditors did not perform testing for this performance measure because the population of one component of the performance measure calculation, replacement leases, was not available for the scope of the audit.
- Total Square Footage of Office and Warehouse Space Leased – Auditors assessed controls as moderate for this performance measure. Auditors stratified the population based on office and warehouse space allocation and selected a non-statistical, random sample of 46 space allocations. Auditors judgmentally selected an additional four space allocations to test for accuracy of the space type.
- Cost Per Square Foot of Privatized Custodial Services - Auditors determined that controls were weak for this performance measure and, therefore, selected a non-statistical random sample of 61 invoices and tested the population of all 47 buildings’ square footage amounts used in the calculation.
- Average Cost Per Square Foot of All Building Maintenance – Auditors assessed controls as moderate for this performance measure. Auditors stratified the population of costs by buildings in Austin and buildings not in Austin. Auditors selected a non-statistical, random sample of 46 costs with an additional 5 judgmentally selected items to expand dollar coverage. Auditors also selected a non-statistical, random sample of 61 building square footage amounts. Finally, auditors judgmentally selected 4 revenue amounts based on 73 percent dollar coverage of revenues received.

Auditors used non-statistical sampling; therefore, the test results from the samples selected cannot be projected to the entire population.

Information collected and reviewed included the following:

- Performance measure data stored in the Commission's information systems and spreadsheets.
- Supporting documentation retained in hard copies.
- Statement on Standards for Attestation Engagements SSAE No. 16 reports for MicroMain, ManagePath, and IMPACT.
- Commission policies and procedures.

Procedures and tests conducted included the following:

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

Criteria used included the following:

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

- Title 1, Texas Administrative Code, Chapter 115 – Facilities Leasing Program.
- Title 1, Texas Administrative Code, Chapter 202 – Information Security Standards.
- Commission policies and procedures.

Project Information

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

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

- Karen Mullen, CGAP (Project Manager)
- Thomas Andrew Mahoney, CGAP (Assistant Project Manager)
- Rachel Goldman, CPA
- Cyndie Holmes, CISA
- Darcy Melton
- Barrett Sundberg, CPA, CIA
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Verma Elliott, CPA, CIA, CGAP, MBA (Audit Manager)

Guidance on Development of Performance Measure Definitions

Below is an excerpt from the *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).

Developing Performance Measure Definitions and Calculation Methodologies

How do the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning, and Policy (GOBPP) review proposed changes to measures' definitions?

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

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

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

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

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

- **DEFINITION**-Provides a brief explanation of what the measure is, with enough detail to give a general understanding of the measure.
- **PURPOSE/IMPORTANCE**-Explains what the measure is intended to show and why it is important.
- **SOURCE/COLLECTION OF DATA**-Describes where the information comes from and how it is collected.
- **METHOD OF CALCULATION**-Clearly and specifically describes how the measure is calculated to the extent that reporting can be replicated.
- **DATA LIMITATIONS**-Identifies whether the data is cumulative or non-cumulative. (Note: All outcome and explanatory measures are non-cumulative since they are reported only once a year.)
- **CALCULATION TYPE**-Identifies whether the data is cumulative or non-cumulative. (Note: All outcome and explanatory measures are non-cumulative since they are reported only once a year.)
- **NEW MEASURE**-Identifies whether the measure is new, has significantly changed, or continues without change from the previous biennium.
- **TARGET ATTAINMENT**-Identifies whether actual performance that is higher or lower than targeted performance is desirable (e.g., a disease rate lower than targeted is desirable).

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

The Honorable Thomas “Tommy” Williams, Senate Finance Committee

The Honorable Jim Pitts, House Appropriations Committee

The Honorable Harvey Hilderbran, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Texas Facilities Commission

Members of the Texas Facilities Commission

Ms. Betty Reinbeck, Chair

Mr. William Darby

Mr. Doug Hartman

Ms. Virginia Hermosa

Mr. Brant Ince

Mr. Mike Novak

Mr. Alvin Shaw

Mr. Terry Keel, Executive Director



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