



An Audit Report on

Performance Measures at the Board of Plumbing Examiners

February 2018

Report No. 18-017



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Overall Conclusion

The Board of Plumbing Examiners (Board) reported reliable results for three of the five key performance measures tested for fiscal year 2016 and for three of the four key performance measures tested for the first three quarters of fiscal year 2017. A performance measure result is considered reliable if it is certified or certified with qualification.

Factors prevented certification of two performance measures. Specifically, reports on which the Board relied contained incomplete and inaccurate data to calculate (1) the Percentage of Complaints Resolved Resulting in Disciplinary Action performance measure for fiscal year 2016 and (2) the Number of Complaints Resolved performance measure for fiscal year 2016 and the first three quarters of fiscal year 2017. Auditors were unable to recalculate those performance measures to determine the correct results.

The Board reported reliable results for three performance measures tested for fiscal year 2016 and for the first three quarters of fiscal year 2017. Specifically:

- The Total Number of Compliance Checks Performed performance measure was certified with qualification for fiscal 2016 and the first three quarters of fiscal year 2017. Auditors recalculated results for that performance measure that were within 5 percent of the number the Board reported; however, the Board did not maintain supporting documentation to show that it had actually conducted the compliance checks.
- The Number of Investigations Conducted performance measure result was reliable for fiscal year 2016. **However, because the Board's investigations** data included multiple investigations that, in some cases, were related to the same complaint, that performance measure was certified with qualification for fiscal year 2016. For fiscal year 2016 and for the first three quarters of fiscal year 2017, **auditors' recalculation of results for that performance measure differed from the Board's calculation by less than 5 percent. Because the issue** identified for fiscal year 2016 had been resolved, that performance measure was certified for the first three quarters of fiscal year 2017.
- The Total Number of Licenses, Endorsements, and Registrations Issued performance measure was certified for fiscal year 2016 and the first three

Background Information

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.

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

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

For more information regarding this report, please contact Cesar Saldivar, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

quarters of fiscal year 2017. Auditors recalculated results for that performance measure that were within 5 percent of the number the Board reported.

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

Table 1

Performance Measure Results for the Board of Plumbing Examiners (Agency No. 456)					
Related Objective or Strategy, Classification	Description of Performance Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a	Chapter in This Report
A.1.3, Output	Total Number of Compliance Checks Performed	2016	9,856	Certified with Qualification	Chapter 1
		2017 - First, Second, and Third Quarters ^b	6,305	Certified with Qualification	Chapter 1
A.1.3, Output	Number of Investigations Conducted	2016	894	Certified with Qualification	Chapter 1
		2017 - First, Second, and Third Quarters ^b	574	Certified	Chapter 1
A.1.1, Output	Total Number of Licenses, Endorsements, and Registrations Issued	2016	53,386	Certified	Chapter 1
		2017 - First, Second, and Third Quarters ^b	40,682	Certified	Chapter 1
A, Outcome	Percentage of Complaints Resolved Resulting in Disciplinary Action	2016	38.6%	Factors Prevented Certification	Chapter 2
A.1.3, Output	Number of Complaints Resolved	2016	1,182	Factors Prevented Certification	Chapter 2
		2017 - First, Second, and Third Quarters ^b	735	Factors Prevented Certification	Chapter 2

^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.

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 the Automated Budget and Evaluation System of Texas (ABEST) and the correct performance measure result.

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.

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.

^b The Board reported this performance measure in ABEST on a quarterly basis; therefore, auditors tested this performance measure for fiscal year 2016 and the first three quarters of fiscal year 2017. The results reported for fiscal year 2017 are cumulative through the first three quarters.

Auditors communicated other, less significant issues regarding the performance measures audited to the Board separately in writing.

Summary of Management's Response

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The Board agreed with the recommendations in this report.

Audit Objectives and Scope

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

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

The scope of this audit included one key performance measure that the Board reported for fiscal year 2016 (September 1, 2015, through August 31, 2016) and four key performance measures that the Board reported for fiscal year 2016 and the first three quarters of fiscal year 2017 (September 1, 2016, through May 31, 2017).

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Detailed Results

Chapter 1

The Board Reported Reliable Results for Three Performance Measures

The Board of Plumbing Examiners (Board) reported reliable results for three performance measures tested for fiscal year 2016 and the first three quarters of fiscal year 2017.

Results for one performance measure were certified for fiscal year 2016 and the first three quarters of fiscal year 2017; results for another performance measure were certified for the first three quarters of fiscal year 2017.

However, results for two performance measures tested for fiscal year 2016 and for one performance measure tested for the first three quarters of fiscal year 2017 were certified with qualification as a result of control weaknesses discussed below.

Total Number of Compliance Checks Performed

The Board reported reliable results for the Total Number of Compliance Checks Performed performance measure for fiscal year 2016 and the first three quarters of fiscal year 2017. Auditors' recalculations and the numbers the Board reported differed by less than 5 percent. The Board had controls over the input, processing, and review of performance measure data, and those controls were operating effectively to ensure that the Board calculated and reported the performance measure accurately.

Compliance Checks

The Board documented compliance checks in VERSA Regulation as a specific type of complaint. For each of those complaints, the Board documented all compliance checks performed:

- By a specific investigator.
- Within a one-month period.
- Within a specific city.

A single complaint can include from zero to several compliance checks.

Source: The Board.

However, the Board did not maintain supporting documentation to verify the accuracy of the information in the VERSA Regulation regulatory tracking system that it used to calculate that performance measure (see text box for additional details) as required by the *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012). (The Health Professions Council manages VERSA Regulation on behalf of several state agencies, including the Board. The Board had controls over the input, processing and review of performance measure data.) The Board did not

require investigators to submit documentation showing they had conducted compliance checks and, instead, relied on the information the investigators entered into VERSA Regulation. Without supporting documentation, auditors were unable to verify the information in VERSA Regulation.

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).

As a result, the Total Number of Compliance Checks Performed performance measure results for fiscal year 2016 and the first three quarters of fiscal year 2017 were certified with qualification.

Number of Investigations Conducted

The Board had controls over the input, processing, and review of data for the Number of Investigations Conducted performance measure, and those controls were operating effectively to ensure that the Board calculated and reported the performance measure accurately for most of the period audited. However, the Board did not identify and correct certain duplicate activities during fiscal year 2016.

The Board's investigations data included multiple investigations that, in some cases, were related to the same complaint during fiscal year 2016. For example, auditors identified instances in which the Board transferred the investigation of a complaint from one investigator to another investigator and counted two investigations associated with that complaint when, in fact, it had conducted only a single investigation. Therefore, not all of the investigations the Board reported for that performance measure for fiscal year 2016 represented separate, discrete investigations. As a result, the Number of Investigations Conducted performance measure was certified with qualification for fiscal year 2016.

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 issue identified for fiscal year 2016 had been resolved, and auditors' recalculation and the number the Board reported differed by less than 5 percent for both fiscal year 2016 and for the first three quarters of fiscal year 2017. As a result, the Number of Investigations Conducted performance measure was certified for the first three quarters of fiscal year 2017.

Total Number of Licenses, Endorsements, and Registrations Issued

The Board reported reliable results for the Total Number of Licenses, Endorsements, and Registrations Issued performance measure for fiscal year 2016 and the first three quarters of fiscal year 2017. Auditors' recalculations and the numbers the Board reported differed by less than 5 percent. The Board also had controls over the input, processing, and review of performance measure data, and those controls were operating effectively to ensure that the Board calculated and reported the performance measure accurately.

As a result, the Total Number of Licenses, Endorsements, and Registrations Issued performance measure results were certified for fiscal year 2016 and the first three quarters of fiscal year 2017.

Recommendations

The Board should:

- Maintain documentation showing that investigators have conducted compliance checks.
- Implement controls to help ensure that it counts each investigation only one time when it calculates performance measures.

Management's Response

The agency agrees with the findings. The agency continues to work with the Health Professions Council (HPC) to develop and refine its collection and reporting of data within the VERSA system.

Staff has developed new forms for collecting compliance checks performed designed to more accurately track the number of such checks performed. The new forms will be maintained by the Director of Enforcement. Enforcement staff will be retrained to better understand the process of data collection as it relates to the Enforcement activities; and, in particular, the number of investigations performed and the number of compliance checks performed.

Staff has requested that an alert be added to the VERSA data entry program to alert staff when a potentially duplicative activity might exist when entering field investigation activity. Staff can then determine, prior to entry of any suspect data, whether it is duplicative or, whether in fact, there were two investigations performed stemming from a single complaint. The Director of Enforcement will work with HPC to ensure that the requested changes are made to the Versa reporting system. The agency expects these changes to be completed within 30 days.

The Board Reported Unreliable Results for Two Performance Measures

The Board reported unreliable results for one key performance measure tested for fiscal year 2016 and for another key performance measure tested for fiscal year 2016 and the first three quarters of fiscal year 2017. Specifically, factors prevented certification of both of those performance measures.

Percentage of Complaints Resolved Resulting in Disciplinary Action

Number of Complaints Resolved

The Board relied on a report from VERSA Regulation for two performance measures. However, that report contained incomplete and inaccurate data to calculate the number of complaints resolved resulting in disciplinary action and the number of complaints resolved. Specifically:

- According to the Board, when (1) a complaint involved more than one respondent or (2) the Board determined disciplinary action was likely, the Board opened a case for each respondent and documented the various dispositions in VERSA Regulation. Because those cases were extensions of the original complaint, the Board correctly did not count those cases as individual complaints. However, in those instances, the Board erroneously omitted the original complaint when it counted the number of complaints resolved resulting in disciplinary action (the numerator of the Percentage of Complaints Resolved Resulting in Disciplinary Action performance measure), even when those complaints resulted in disciplinary actions.
- The Board included in the number of complaints resolved (1) complaints that it had closed in order to open a case, even if it had not resolved those complaints, and (2) complaints that it had entered into VERSA Regulation in error. As a result, auditors were unable to determine the populations of complaints (1) closed in prior periods but with cases closed during the scope of this audit and (2) closed during the scope of this audit but that still had cases open during the scope of this audit.

As a result of the issues discussed above, factors prevented certification of:

- The Percentage of Complaints Resolved Resulting in Disciplinary Action performance measure for fiscal year 2016.
- The Number of Complaints Resolved performance measure for fiscal year 2016 and the first three quarters of fiscal year 2017.

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.

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

Recommendation

The Board should work with the Health Professions Council to help ensure that VERSA Regulation can provide complete and accurate data for the calculation of performance measures.

Management's Response

The agency continues to work with the Health Professions Council (HPC) to develop and refine its collection and reporting of data within the VERSA system.

Immediately upon finding the discrepancy within the "complaints resolved resulting in disciplinary action" measure report, staff contacted HPC to correct the way calculations are performed and to include additional data in said calculations for their contemplated use. Staff has also contacted the Legislative Budget Board to assist in updating the language used in the Automated Budget and Evaluation System of Texas (ABEST) to more clearly define the methodology of this calculation and avoid future misinterpretations.

The Director of Enforcement will work with HPC to ensure that the requested changes are made to the Versa reporting system. The Executive Director will ensure that the needed changes are made within ABEST by working with the Legislative Budget Board. The agency expects these changes to be completed within 30 days.

Appendix

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Board of Plumbing Examiners (Board):

- 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 Board reported for fiscal year 2016 (September 1, 2015, through August 31, 2016) and four key performance measures that the Board reported for fiscal year 2016 and the first three quarters of fiscal year 2017 (September 1, 2016, through May 31, 2017).

Methodology

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions; evaluating controls over the Board's performance measure calculation processes; testing documentation; and assessing the reliability of the data obtained from Versa Regulation¹, the regulatory tracking system the Board used, which supported the reported performance measure results. Auditors also tested support in VERSA Regulation for applications, compliance checks, and investigations associated with records for fiscal year 2016 and the first three quarters of fiscal year 2017.

Data Reliability and Completeness

Auditors assessed the reliability of the data from VERSA Regulation related to the following key performance measures:

- Total Number of Compliance Checks Performed.
- Number of Investigations Conducted.

¹ The Health Professions Council manages VERSA Regulation on behalf of several state agencies, including the Board.

- Total Number of Licenses, Endorsements, and Registrations Issued.
- Percentage of Complaints Resolved Resulting in Disciplinary Action.
- Number of Complaints Resolved.

To do that, auditors (1) determined population completeness and reasonableness; (2) reviewed the process to generate data related to the calculation of the performance measures from VERSA Regulation; (3) interviewed and obtained information from Board and Health Professions Council staff; (4) reviewed source documentation for performance measure data; and (5) evaluated information technology general controls, including user access, change management, and backup and recovery controls. In addition, auditors reviewed application controls in VERSA Regulation. Auditors determined that for fiscal year 2016 and the first three quarters of fiscal year 2017, the VERSA Regulation data was sufficiently reliable for purposes of this audit.

Sampling Methodology

For the Total Number of Licenses, Endorsements, and Registrations Issued; Total Number of Compliance Checks Performed; and Number of Investigations Conducted 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 samples to test whether controls over the performance measures were operating effectively to ensure that performance measure results were accurate and to determine whether the Board was accurately reporting its performance measures in ABEST.

Information collected and reviewed included the following:

- Performance measure data in VERSA Regulation and ABEST.
- The Board's summary documents and VERSA Regulation-generated reports.
- Supporting documentation that the Board retained in hard-copy files.

Procedures and tests conducted included the following:

- Interviewed Board staff to gain an understanding of the processes the Board used to calculate performance measures.
- Interviewed Board and Health Professions Council staff to gain an understanding of VERSA Regulation, which the Board and Health

Professions Council used to collect performance measure data and generate reports to calculate performance measure results.

- Audited performance measure calculations for accuracy and to determine whether the calculations were consistent with the definitions on which the Board; the Legislative Budget Board; and the Governor's Office of Budget, Planning, and Policy agreed.
- Tested documentation to verify the accuracy of reported performance measures and the effectiveness of controls.
- Assessed performance measure results in one of the 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.
- The Board's policies and procedures.

Project Information

Audit fieldwork was conducted from August 2017 through December 2017. 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:

- Thomas Andrew Mahoney, CGAP (Project Manager)
- Krista L. Steele, MBA, CPA, CFE, CIA, CGAP (Assistant Project Manager)
- John Felchak
- Jennifer Grant, MPA
- George D. Eure, CPA (Quality Control Reviewer)
- Cesar Saldivar, 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

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The Honorable John Zerwas, House Appropriations Committee

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