

Audit



Highlights

Highlights of Legislative Auditor report on the Reliability of Performance Measures Used in the State's Budget Process, issued on January 17, 2002. Report # LA02-19.

Purpose of Audit

The purpose of this audit was to determine if performance measures used in the state's budget process were reliable. It included a review of selected performance measures for fiscal year 2000 as reported in the Governor's Executive Budget for fiscal years 2002 and 2003.

Audit Recommendations

This report contained three recommendations to improve the reliability of performance measures. First, the Department of Administration should provide state agencies with guidance on controls over the collection of performance measurement data, including developing written procedures, retaining underlying records, and providing supervisory review. The Department should also ensure agencies' biennial internal control reports, prepared pursuant to NRS 353A.025, address the reliability of performance measures. Finally, the Department should review performance measures for reasonableness of approach prior to being included in the Executive Budget.

The Department accepted all three audit recommendations.

Status of Recommendations

The Department of Administration submitted the six-month report on the status of audit recommendations on October 15, 2002. The report indicated all three recommendations were fully implemented.

The Department of Administration distributed an all-agency memorandum recommending agencies develop written procedures for computing performance measures to help improve their reliability. The memorandum provided guidelines for the collection, review, and retention of data used in computing measures.

In addition, the Department's Financial Management Training and Controls Section reviews agencies biennial internal control reports for written procedures that adequately address the accuracy and reliability of measures.

Finally, the Department of Administration indicated that it selected a sample of agencies and sent a questionnaire regarding the procedures used to develop reliable measures. The Department plans to distribute the questionnaire each biennium and follow-up on non-compliant responses.

Reliability of Performance Measures Used in the State's Budget Process

Results in Brief

Performance measures used in the state's budgetary process were not always reliable. About one-half of the measures we examined lacked sufficient documentation, were based on inappropriate methodologies, or were calculated incorrectly. In addition, the description of the measure frequently did not reflect what was reported. As a result, managers and oversight bodies used unreliable information when evaluating programs and making budget decisions.

All of the agencies included in our audit lacked sufficient controls to help ensure performance measures were reliable. Control weaknesses included inadequate written procedures on how to collect and calculate performance measurement data. In addition, we noted insufficient review of the data collection process. Performance measurement systems should have controls to ensure information is properly collected and reported. Reliability can be improved by the Department of Administration providing agencies with additional guidance and oversight concerning controls over the collection and reporting of performance measures.

Principal Findings

Some agencies could not provide underlying records to support their performance measures reported in the Executive Budget. Of the 35 measures we examined, 15 did not have sufficient documentation. Although these measures may be accurate, the lack of underlying records prevents the information from being verified.

Thirteen of the measures were based on flawed procedures. For instance, the Northern Nevada Child and Adolescent Services' method for tracking the average number of clients on the Early Childhood Services waiting list overstated the measure. The agency included individuals that inquired about services but never followed up for an appointment. These individuals accounted for approximately 40% of the waiting list.

Calculation errors resulted in agencies reporting inaccurate data in four of the measures. For example, the Department of Motor Vehicles' measure of the number of transactions processed by employee per month was calculated incorrectly. The reported number was the average for each of the 18 field offices, not the average of all transactions statewide. As a result, the number reported by DMV was overstated by 21%.

The descriptions of 18 performance measures did not reflect the reported information. For example, the Division of Health Care Financing and Policy described one of its measures as the increase in enrollment of children in Medicaid. However, the Division actually reported the number of children enrolled in August 2000, not the change in enrollment during the year.

Many agencies have not developed written procedures describing how to collect and calculate measures. The effect of not having written procedures was greater because of turnover in positions that collected the data reported in the Executive Budget. This made it especially difficult for some agencies to determine how the performance measures reported in the Executive Budget were derived.

At most agencies, one person collected and calculated performance measurement data with little or no review by anyone else. Performance measures are often the result of numerous calculations. As the number and complexity of calculations increases, the risk of errors increases substantially.

State agencies have been required to include performance measures in the Executive Budget since the 1993 Legislative Session. Although the Department of Administration has provided training to assist in the development of performance measures, the training has not addressed procedures to help ensure reliability. In addition, the Department's oversight of agencies' internal controls can be improved by including guidance regarding the reliability of performance measures.