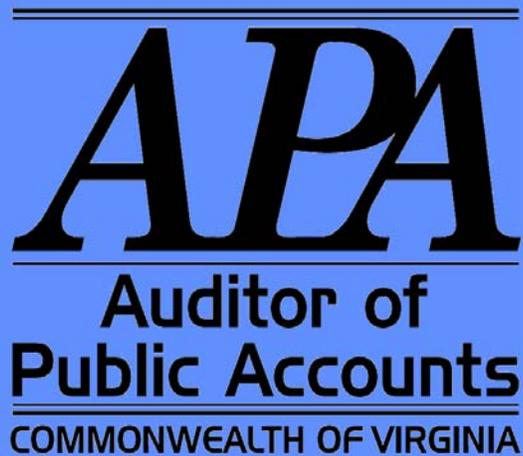


REVIEW OF AGENCY PERFORMANCE MEASURES

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**



AUDIT SUMMARY

This report summarizes our review of the executive branch agency performance measures and provides recommendations based on our observations. Section 30-133 of the Code of Virginia requires the Auditor of Public Accounts to conduct an annual audit of performance measures and to review the related management systems used to accumulate and report the results. Section 2.2-1501 of the Code of Virginia requires the Department of Planning and Budget (Planning and Budget) to develop, coordinate, and implement a performance management system. Planning and Budget is also required to ensure that the information is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials.

Virginia Performs is the Commonwealth's Internet site for performance information maintained by Planning and Budget. The website includes statewide performance measures, as well as agency specific measures and strategic planning information. Planning and Budget maintains the website, but relies on agencies to input their own information. Our review focused on agency performance measures reported on for twelve selected agencies. We selected these agencies either due to the significance of their budget or their role as a central agency.

We reviewed all key performance measures at the individual agencies that maintain the information. Key performance measures are measures designated by the Governor as critical to the central operational purpose of each agency. We reviewed a total of 59 key performance measures to determine if the performance measure information was accurate, reliable, and understandable. Overall, we found the performance measures results for fiscal year 2008 were accurate and reliable; however, we continue to find that citizens may have difficulty with the usefulness of the information because measure names, descriptions, and methodologies are incomplete and confusing.

Performance management in the Commonwealth is an evolving process and *Virginia Performs* has undergone significant improvement in the overall completeness and accuracy of reported information since our first review. Our report contains the following recommendations to further improve the performance measurement information on *Virginia Performs*:

- As with our previous reports, *Virginia Performs* does not include a link between the budget structure and amounts appropriated to the performance measures on *Virginia Performs*. Without this linkage, it is very difficult to use the performance measures information to evaluate how well the Commonwealth is using budget resources. To achieve this linkage will involve a significant collaborative effort between the executive and legislative branches that develops a budget with performance measures and in turn reports on the results of performance outcomes within the budget execution process. As the Commonwealth moves forward with its enterprise wide systems initiatives, addressing the issue of linkage will require the participation and agreement of the executive and legislative branches as to how the budget will measure and report this performance.
- Individual agencies ultimately have responsibility for the information on *Virginia Performs*, but Planning and Budget maintains a central role in the dissemination of the performance measure information. Planning and Budget's oversight role requires a more clear definition of responsibilities in this shared process with the individual agencies. Specific issues that require clarification are Planning and Budget's role in reviewing the information on *Virginia Performs* and the level of guidance they should provide to agencies.

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REVIEW OF AGENCY PERFORMANCE MEASURES

This report summarizes our review of the executive branch agency performance measures and provides our recommendations. Section 30-133 of the Code of Virginia requires the Auditor of Public Accounts to conduct an annual audit of performance measures and to review the related management systems used to accumulate and report the results.

The current performance management system has components for strategic planning, performance measurement, program evaluation, and performance budgeting. Together, these components provide information that can help manage strategy and communicate the results of government services. Section 2.2-1501 of the Code of Virginia requires the Department of Planning and Budget (Planning and Budget) to develop, coordinate, and implement a performance management system. Planning and Budget must ensure that the information is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials.

Our report has three separate sections. The first section includes background information on *Virginia Performs* and discusses roles and responsibilities over information in the system. The second section outlines the scope of the work and the method of review. The third section presents the results of the work performed and provides recommendations based on our observations and best practices for reporting and communicating performance information.

Background Information

Performance management provides information to help policy makers and state officials evaluate the results of government services. This information is available to the general public, and allows the public to monitor the results of government services. An effective performance management system generally has four linked processes: strategic planning, performance measurement, program evaluation, and performance budgeting. The Commonwealth first implemented a performance management system in the 1990's, and the system has evolved since then.

In 2000, the General Assembly passed legislation requiring Planning and Budget to develop, implement, and manage an Internet-based performance information system. In response, Planning and Budget developed a website that made agency performance data available to the public.

In 2003, the General Assembly established the Council on Virginia's Future (the Council) to develop a unified vision for the Commonwealth and guide Planning and Budget in aligning strategic plans and performance measures with this vision. The Council's objectives include the provision of a focus on significant issues affecting the Commonwealth, improvements to the policy-making and budgetary processes, increased transparency and accountability, improved government performance, and the engagement of citizens in a dialogue about the future of the Commonwealth. At the direction of the Council, Planning and Budget directed a statewide reorganization of the budgeting and agency strategic plan structure, effective July 1, 2006. As a result, the Executive Budget document for the 2006-2008 biennium contained the new budget structure and also included a reporting of performance measures for agencies.

To further this effort, the Council and Planning and Budget launched the *Virginia Performs* website in January 2007, which replaced the previous performance measures website. *Virginia Performs* provides performance management information about state agencies and programs, including agency strategic plans, but does not include performance information for colleges and universities. The State Council of Higher Education for Virginia has performance information for colleges and universities.

Planning and Budget has the following statutory requirements related to *Virginia Performs* from Section 2.2-1501 of the Code of Virginia.

11. (Effective July 1, 2013) Development, coordination and implementation of a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government. The Department shall ensure that information generated from these processes is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials. The Department shall submit annually on or before the second Tuesday in January to the Chairman of the House Appropriations Committee and the Chairman of the Senate Finance Committee a report that sets forth state agencies' strategic planning information and performance measurement results pursuant to this subdivision for the immediately preceding fiscal year.

12. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to performance information.

In meeting these requirements, Planning and Budget has assumed maintenance of the *Virginia Performs* website, which includes controlling access to the website and publishing performance measurement information to the *Virginia Performs* website. Planning and Budget also has developed instructions for updating performance measure data and training agencies on the various elements of *Virginia Performs*.

Planning and Budget acts as the data warehousing agent for performance measure information, but it does not take responsibility for any of the other agency information on *Virginia Performs*. While Planning and Budget analysts review performance measure data before publication on the website, each individual agency's management has responsibility and ownership for the accuracy and completeness of the information on the website.

Planning and Budget primarily provides technical support and instructions for updating performance measures. In addition, Planning and Budget performs a review of performance measure data. Planning and Budget analysts review agency performance measure data for clarity, to determine completeness of data fields, consistency in reporting, and for grammatical errors before Planning and Budget puts performance measure data on the *Virginia Performs* website.

Neither the instructions nor the training includes any guidance on the importance of agencies implementing and documenting internal controls over *Virginia Performs* data. While performance measure data and internal controls are the agency's ultimate responsibility, there is not any central guidance on internal control procedures for performance measure data. No one has the responsibility of providing internal control guidance or oversight to increase the reliability of information in *Virginia Performs*. *Virginia Performs* should provide accurate and reliable information for decision makers, and deficiencies noted in *Virginia Performs* information can affect the data's usefulness.

The Code of Virginia only requires Planning and Budget to develop a portal to report performance measures to the citizens and public officials, but they also have responsibility for ensuring that information is useful for managing and improving state government operations.

Scope and Method of Review

Our objective was to determine that performance measure information on *Virginia Performs* was accurate, reliable, and understandable for key performance measures at twelve selected agencies. We selected agencies that are central to citizen services and operations of state government based either on the significance of their budget or their role in state government operations.

Performance measures on the *Virginia Performs* website contain several standard reporting elements. For each measure, we reviewed the various elements on *Virginia Performs* for accuracy, reliability, and understandability. We sought to ensure the average user could understand the performance measures results and accompanying information. We specifically evaluated each element as follows:

- We reviewed the *Measure Name* to ensure that it accurately reflected what the measure was.
- We reviewed the *Measure Type* and *Preferred Trend* to ensure that these elements were appropriate in relation to the performance measure.
- We reviewed the *Measure Methodology* to ensure it was reasonable and offered the user the necessary information to determine the data sources and how the agency calculated the measure.
- We reviewed the *Measure Baseline* and *Measure Targets* to ensure that the agency provided the appropriate data and the data accurately represented the information within the performance measure.
- We reviewed the *Measure Frequency* to ensure that the updating of the measure occurred in accordance with the established time frame.
- We reviewed the *Measure Data* (results) reported for fiscal year 2008, or the most recent available data points, to ensure that it was accurate, within a five percent tolerable threshold.
- We reviewed the *Explanatory Note* field for applicability and appropriateness, and ensured that agencies had followed guidelines established by Planning and Budget

As part of our review, we obtained and reviewed documentation from the various agencies and interviewed agency staff. The timing of this year's audit work coincided with our annual audits for the selected agencies. We reviewed guidance and instructions issued by Planning and Budget to the individual agencies. Also, we followed up on recommendations and specific exceptions from our prior review to determine if the agencies had resolved the issues previously reported.

We obtained a copy of the *Virginia Performs* database from Planning and Budget as of September 22, 2008. The database duplicates information presented on the *Virginia Performs* website and included over 1,400 individual performance measures. Of these measures, the Governor has designated 236 as key performance measures. We reviewed all key performance measures for our twelve selected agencies for a sample of 59 measures as listed on the following two pages.

Sample of Agencies and Key Performance Measures

Department of Accounts

1. Ensure that the number of recurring Auditor Public Accounts Internal Control findings are 20 or below
2. Receive the Certificate of Excellence in Financial Reporting for the 23rd consecutive year
3. Review and process all payrolls by the final certification date

Department of Corrections

1. We will increase the percentage of supervised probation and parole cases successfully closed
2. We will have no escapes from confinement
3. We will operate a Therapeutic Community Treatment program that will result in a recidivism rate of 15% or below

Department of Education

1. Number of children served in the Virginia Preschool Initiative
2. Percentage of students successfully completing Algebra I by the eighth grade
3. Number of students passing selected occupational assessments from the National Occupational Competency Institute (NOCTI) and selected industry certifications
4. Percentage of schools rated Fully Accredited
5. Percentage of high school students who exit high school with a diploma
6. Percentage of high school students earning the Advanced Studies Diploma
7. Percentage of third graders passing the third grade reading Standards of Learning test
8. Percentage of students enrolled in one or more Advanced Placement, International Baccalaureate, or dual enrollment courses

Department of Health

1. 90% of two-year old children will be appropriately immunized
2. The percentage of adults in Virginia who are obese
3. Percentage of adults
4. Percentage of youth
5. The teenage pregnancy rate among females ages 10-19 in Virginia
6. The percentage of adults 65 years of age or older in Virginia who are appropriately immunized against influenza
7. Infant mortality rate
8. The percentage of adults 65 years of age or older in Virginia who are appropriately immunized against pneumonia
9. The percentage of residents of long term care facilities in Virginia who have pressure ulcers
10. The number of additional Virginia citizens who will gain access to safe and affordable drinking water will increase

Department of Medical Assistance Services

1. Percentage of two year olds in FAMIS who are fully immunized
2. Percentage of 15 months-old children enrolled in the FAMIS program who received the recommended number of well-child screenings
3. Percentage of 3-6 year-old children enrolled in the FAMIS program who received the recommended number of well-child screenings
4. Percentage of enrolled children who utilize dental services
5. Percentage of 3-6 year-old children enrolled in the FAMIS Plus (Medicaid) program received the recommended number of well-child screenings
6. Percentage of two year olds in FAMIS Plus (Medicaid) who are fully immunized
7. Percentage of 15 months-old children enrolled in the FAMIS Plus (Medicaid) program who received the recommended number of well-child screenings
8. Percentage of enrolled children who utilize dental services
9. Percentage of Medicaid/FAMIS covered births which are normal birth weight
10. Proportion of total Medicaid long term care expenditures for home and community based services
11. Percentage of enrolled children who utilize dental services

Department of Motor Vehicles

1. Average number of times a citizen is required to interact with DMV to complete a single transaction
2. Reduce the average wait time for customers conducting business in Customer Service Centers
3. Number of traffic fatalities

Department of Planning and Budget

1. Average rating of survey respondents' satisfaction with the timeliness and quality of DPB's analyses
2. Ratio of recurring general fund revenue to recurring general fund spending

Department of Social Services

1. Percent of TANF participants gainfully employed at least six months after program exit
2. Child support dollars that are owed will be collected
3. Children will be protected from becoming victims of repeated abuse or neglect
4. Children will be adopted within 24 months of entering foster care

Department of Taxation

1. Issue current year refunds for 98 percent of electronically filed returns within 12 days of receipt of return
2. Increase the number of taxpayer transactions through TAX's electronic channels by 9.4 percent
3. Answer 87 percent of calls before the caller disconnects

Department of Transportation

1. Number of traffic crash related deaths on Virginia highways
2. Annual Hours of Delay per Traveler due to congestion on state highways in Northern Virginia, as measured by the Texas Transportation Institute (TTI)
3. Annual Hours of Delay per Traveler due to congestion on state highways in Virginia Beach metro area, as measured by the Texas Transportation Institute (TTI)
4. Annual Hours of Delay per Traveler due to congestion on state highways in Richmond metro area, as measured by the Texas Transportation Institute (TTI)
5. On-time and on-budget (both) construction and maintenance (both) project delivery

Department of the Treasury

1. Average yield on bond issues
2. Number of basis points by which the industry benchmark is exceeded
3. Percentage of checks delivered in a timely and accurate manner

Virginia Employment Commission

1. Wagner-Peyser entered employment rate
2. Timely payment of unemployment insurance benefits
3. Statewide unemployment rates

Results of Review of Key Performance Measures

Overall, we found that performance measures results reported for fiscal year 2008 were accurate and reliable for the majority of our sample. Of the 59 measures reviewed, we found three measures (five percent) where the 2008 results reported were inaccurate. However, we did find a significant number of exceptions in other elements that affect the user's ability to understand the performance measure and interpret the results. We have summarized these exceptions below, noting that some performance measures had more than one type of exception.

- *Measure Name* was not an accurate description of what was being measured for twelve performance measures (20.3 percent error rate).
- *Measure Type* was not accurate for four performance measures. In all cases, the measure was identified as an output measure, but should have been identified as an outcome measure (6.8 percent error rate).
- *Measure Methodology* was not adequate so the user could understand how the measure was calculated for nineteen performance measures (32.2 percent error rate).
- *Measure Baseline* did not include the appropriate information required by Planning and Budget for nine performance measures (15.3 percent error rate).
- *Measure Target* did not include the appropriate information required by Planning and Budget for thirteen performance measures (22 percent error rate).
- *Measure Data* was not updated timely based on guidance from Planning and Budget for one performance measure (1.6 percent error rate).
- *Explanatory Note* did not include appropriate information to assist the user in determining what was being measured for three performance measures (5.1 percent error rate).

Of the exceptions found in our review, the inaccuracies and inconsistencies in the *Measure Name* are the most significant. This occurred in over 20 percent of our sample and is significant because the *Measure Name* is one of the first elements a user will see when navigating to the agency performance measures section of *Virginia Performs*. It is critical that the *Measure Name* be clear, concise, and accurate. Many of the measure names were confusing and hard to understand without additional information; several were simply inaccurate.

Another significant issue is the number of performance measures where the *Measure Methodology* was inadequate to explain the calculation of the measure. Over 30 percent of the measures in our sample had this deficiency and we had to obtain additional information from these agencies to understand how they calculated their results. The intent of *Virginia Performs* is that a user should understand the measure and how the agency calculated the result without any additional information.

While agencies are responsible for entering the performance measures information into *Virginia Performs*, Planning and Budget analysts review the information before publishing it on *Virginia Performs*. There remain some questions on the purpose of the analyst's review and Planning and

Budget's responsibility with regard to information reported on *Virginia Performs*. As we have reported in previous reports, Planning and Budget's oversight role needs to be clarified.

Recommendation #1

Individual agencies ultimately have responsibility for the information on Virginia Performs, but Planning and Budget maintains a central role in the dissemination of the performance measure information. Planning and Budget's oversight role requires a more clear definition of responsibilities in this shared process with the individual agencies. Specific issues that require clarification are Planning and Budget's role in reviewing the information on Virginia Performs and the level of guidance they should provide to agencies.

In order to further evaluate our results, we have detailed our exceptions by agency and key performance measures in Appendix A. We informed individual agencies of our test results and any exceptions based on our review.

Status of Prior Year's Findings

As part of our review, we followed up on the issues noted during the prior audit for specific agencies. We found that agencies had resolved most of the issues, with the exception of two items. The Department of Education had not updated the data results for two of their performance measures, but we confirmed that Education had requested that Planning and Budget make the changes. Similarly, the Department of Criminal Justice Services had not updated three items related to their 2007 results. Criminal Justice Services intends on making the necessary changes, but was unsure whether they have the authority to make the changes without Planning and Budget's approval.

Our prior report also included recommendations about the linkages between the performance measures on *Virginia Performs* and agency budgets. We reported that most service areas performed more than one function and that not all functions had a related performance measure. As a result, there is no linkage or budget transparency between the performance measures and use of budget resources, making it difficult for the average citizen to use this information to make any evaluations. There has been no action taken on this issue since our last review. As a result, we have included this recommendation again below.

Recommendation #2

As with our previous reports, Virginia Performs does not include a link between the budget structure and amounts appropriated to the performance measures on Virginia Performs. Without this linkage, it is very difficult to use the performance measures information to evaluate how well the Commonwealth is using budget resources. To achieve this linkage will involve a significant collaborative effort between the executive and legislative branches that develops a budget with performance measures and in turn reports on the results of performance outcomes within the budget execution process. As the Commonwealth moves forward with its enterprise wide systems initiatives, addressing the issue of linkage will require the participation and agreement of the executive and legislative branches as to how the budget will measure and report this performance.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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February 6, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the performance measures available on the *Virginia Performs* website and are pleased to submit our report entitled "Review of Agency Performance Measures." 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.

Scope and Methodology

Our objective was to determine that performance measure information was accurate, reliable, and understandable. Our review of agency performance measures included executive branch key performance measures reported and published by Planning and Budget on the *Virginia Performs* website. We did not include higher education performance measures, which are the responsibility of the State Council of Higher Education.

We selected a sample of 59 key performance measures for detailed review. During our review, we obtained supporting documentation for each performance measure in the sample and information related to internal controls. We reviewed the information system controls over access to the *Virginia Performs* website. We also followed up on issues noted in the prior year audit report to determine if they have been resolved.

Results of Review

Overall, we found that performance measures results reported for fiscal year 2008 were accurate and reliable for the majority of our sample. However, we did find a significant number of exceptions in other elements that affect the user's ability to understand the performance measure and interpret the results.

Exit Conference and Report Distribution

We discussed this report with Department of Planning and Budget management on March 17, 2009. Their response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

LCW/alh

Appendix A: Summary of Findings by Individual Agency and Performance Measure

The findings for the agencies denoted with an asterisk (*) were included in the individual agency audit reports. Both of agencies are included in the Secretary of Health and Human Services report for the year ended June 30, 2008.

Department of Accounts

Performance Measure Name	Exception(s) Noted
Ensure that the number of recurring APA Internal Control findings are 20 or below	<ul style="list-style-type: none"> • The <i>Explanatory Note</i> should reflect the actual schedule by which the agency updates the data. • The agency did not update the <i>Measure Data</i> in accordance with the established time frame. • The <i>Measure Target</i> did not include a date within the current biennium. • The <i>Measure Methodology</i> was not clear with respect to how the measure was calculated.
Receive the Certificate of Excellence in Financial Reporting for the 23rd consecutive year	<ul style="list-style-type: none"> • The <i>Measure Type</i> was identified as an “output” measure, but was actually an “outcome” measure.
Review and process all payrolls by the final certification date	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was unclear how the agency calculated the measure.

Department of Corrections

Performance Measure Name	Exception(s) Noted
We will increase the percentage of supervised probation and parole cases successfully closed	<ul style="list-style-type: none"> • The <i>Measure Target</i> did not include a date within the current biennium.
We will have no escapes from confinement	<ul style="list-style-type: none"> • The <i>Measure Target</i> did not include a date within the current biennium.
We will operate a Therapeutic Community Treatment program that will result in a recidivism rate of 15% or below	<ul style="list-style-type: none"> • The <i>Measure Target</i> did not include a date within the current biennium.

Department of Education

Performance Measure Name	Exception(s) Noted
Percentage of students enrolled in one or more Advanced Placement, International Baccalaureate, or dual enrollment courses	<ul style="list-style-type: none"> • The <i>Measure Type</i> was identified as an “output” measure, but was actually an “outcome” measure. • The <i>Measure Methodology</i> was not clear on how the agency calculated the measure and what types of students are in the measure.
Number of children served in the Virginia Preschool Initiative	<ul style="list-style-type: none"> • The <i>Measure Name</i> was not descriptive enough, as this program targets “at-risk” children.

Department of Health*

Performance Measure Name	Exception(s) Noted
90% of two-year old children in Virginia will be appropriately immunized	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was not clear on how the agency calculated the measure. • The <i>Measure Name</i> is not clear on what the agency is measuring. • The <i>Measure Baseline</i> description did not include whether the performance measure was a number or percentage. • The <i>Measure Target</i> description did not include whether the performance measure was a number or percentage.
The percentage of adults in Virginia who are obese	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> should include a more specific definition of what the agency is measuring.
Percentage of adults	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was not clear on how the agency calculated the measure. • The <i>Measure Name</i> did not accurately reflect what the performance measure is measuring. • The <i>Measure Baseline</i> description did not include whether the performance measure was a number or percentage. • The <i>Measure Target</i> description did not include whether the performance measure was a number or percentage.
Percentage of youth	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was not clear on how the agency calculated the measure. • The <i>Measure Name</i> did not accurately reflect what the performance measure is measuring. • The <i>Measure Baseline</i> description did not include whether the performance measure was a number or percentage. • The <i>Measure Target</i> description did not include whether the performance measure was a number or percentage.
Infant mortality rate	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was not clear on how the agency calculated the measure, and should also include the name of the data source. • The <i>Measure Name</i> did not accurately reflect what the performance measure is measuring.

<p>The percentage of residents of long term care facilities in Virginia who have pressure ulcers</p>	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was not clear on how the agency calculated the measure, and should also include the name of the data source. • The <i>Measure Baseline</i> description was not specific enough about what the agency was measuring. • The <i>Measure Target</i> description was not specific enough about what the agency was measuring.
<p>The teenage pregnancy rate among females ages 10-19 in Virginia</p>	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was not reflective of what the agency was measuring. • The <i>Measure Name</i> did not accurately reflect what the performance measure is measuring. • The <i>Measure Baseline</i> description did not include whether the performance measure was a number or percentage. • The <i>Target Description</i> did not include whether the performance measure was a number or percentage.
<p>The percentage of adults 65 years of age and older in Virginia who are appropriately immunized against influenza</p>	<ul style="list-style-type: none"> • The <i>Measure Baseline</i> description was not specific enough about what the agency was measuring. • The <i>Measure Target</i> description was not specific enough about what the agency was measuring.
<p>The percentage of adults 65 years of age and older in Virginia who are appropriately immunized against pneumonia</p>	<ul style="list-style-type: none"> • The <i>Measure Baseline</i> description was not specific enough about what the agency was measuring. • The <i>Measure Target</i> description was not specific enough about what the agency was measuring.
<p>The number of additional Virginia citizens who will gain access to safe and affordable drinking water will increase</p>	<ul style="list-style-type: none"> • The <i>Measure Baseline</i> description was not specific enough about the agency what was measuring. • The <i>Measure Target</i> description was not specific enough about what the agency was measuring.

Department of Medical Assistance Services

Performance Measure Name	Exception(s) Noted
<p>Proportion of total Medicaid long term care expenditures for home and community based services</p>	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> included several industry-specific acronyms that the average user might not understand.

Department of Motor Vehicles

Performance Measure Name	Exception(s) Noted
Reduce the average wait time for customers conducting business in Customer Service Centers	<ul style="list-style-type: none"> • The <i>Measure Name</i> includes the desired trend of the performance measure. • The <i>Measure Methodology</i> was not clear with respect to what data the agency included in the measure and how agency calculated the measure.
Number of traffic fatalities	<ul style="list-style-type: none"> • The <i>Measure Methodology</i> was not clear with respect to how the agency calculated measure.

Department of Social Services*

Performance Measure Name	Exception(s) Noted
Percent of TANF participants gainfully employed at least six months after program exit	<ul style="list-style-type: none"> • The <i>Measure Type</i> was identified as an “output” measure, but was actually an “outcome” measure. • The <i>Measure Methodology</i> should include a definition of “gainfully employed”. • The <i>Measure Data</i> was insufficient to have a user recalculate the measure and come within an established five percent threshold.
Children will be protected from becoming victims of repeated abuse or neglect	<ul style="list-style-type: none"> • The <i>Measure Type</i> was identified as an “output” measure, but was actually an “outcome” measure. • The <i>Measure Name</i> is not clear on what the agency is measuring. • The <i>Measure Methodology</i> was not clear how the agency calculated measure. • The quarterly <i>Measure Data</i> was updated after a time lag, and the data points did not correspond to the period measured.
Child support dollars that are owed will be collected	<ul style="list-style-type: none"> • The <i>Measure Name</i> is not clear on what the agency is measuring. • The <i>Measure Methodology</i> was not clear how the agency calculated the measure.
Children will be adopted within 24 months of entering foster care	<ul style="list-style-type: none"> • The <i>Measure Name</i> is not clear on what the agency is measuring. • The quarterly <i>Measure Data</i> was updated after a time lag, and the data points did not correspond to the period measured.

Department of Taxation

Performance Measure Name	Exception(s) Noted
Increase the number of taxpayer transactions through TAX's electronic channels by 9.4%.	<ul style="list-style-type: none">• The agency already achieved the <i>Measure Target</i> value, which indicates that the agency should revise its target value.
Issue current year refunds for 98% of electronically filed returns within 12 days of receipt of the return	<ul style="list-style-type: none">• The <i>Explanatory Note</i> was lacking information for fiscal 2008.

Department of Transportation

Performance Measure Name	Exception(s) Noted
On-time and On-budget (both) Construction & Maintenance (both) Project Delivery	<ul style="list-style-type: none">• The <i>Measure Name</i> should indicate that this measure is a percentage.• The <i>Measure Baseline</i> description did not include whether the performance measure was a number or percentage.
Annual Hours of Delay per Traveler due to congestion on state highways in Northern Virginia, as measured by the Texas Transportation Institute (TTI) (<i>similar measures for Virginia Beach and Richmond areas</i>)	<ul style="list-style-type: none">• The <i>Measure Methodology</i> did not include a discussion of the way in which the agency calculated the measure and the basis the agency used to determine the calculation.
Percent of Congestion Free Travel on all Interstate roadways	<ul style="list-style-type: none">• The <i>Explanatory Note</i> included an acronym that the agency did not define in the performance measure.

Virginia Employment Commission

Performance Measure Name	Exception(s) Noted
Statewide unemployment rates	<ul style="list-style-type: none">• The <i>Measure Name</i> did not accurately reflect what the performance measure measured.



COMMONWEALTH of VIRGINIA

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Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

Thank you for the opportunity to review and comment on the Auditor of Public Accounts (APA) recent report – the Review of Agency Performance Measures. We have reviewed this report and have discussed the findings with the APA staff.

Generally, the Department of Planning and Budget (DPB) notes that there are several areas in which there is agreement regarding the need for improvement described in the report. While there may be differences of opinion relative to the steps that should be taken to reach certain objectives and the specific role of DPB, the objectives themselves are worthwhile.

DPB appreciates the APA's recognition of challenges that it faces in implementing what is still a relatively new and evolving performance measurement system. The APA presented two recommendations in this report. DPB's responses to these recommendations follow.

APA Recommendation

Recommendation #1

Individual agencies ultimately have responsibility for the information on Virginia Performs, but Planning and Budget maintains a central role in the dissemination of the performance measure information. Planning and Budget's oversight role requires a more clear definition of responsibilities in this shared process with the individual agencies. Specific issues that require clarification are Planning and Budget's role in reviewing the information on Virginia Performs and the level of guidance they should provide to agencies.

This recommendation suggests that DPB should strengthen and clarify its oversight role relative to the performance measurement process primarily through improved guidance and communication with state agencies. The goal of this recommendation is to improve the quality of the performance measure information, whether it is the measure statement or the data that is used to measure performance.

We concur with the APA's finding that individual agencies are responsible for the information contained on *Virginia Performs*. Further, we endorse the APA's effort to cite agencies, in their audits, when unacceptable performance measurement issues are recognized in individual agencies.

DPB fully supports efforts to improve and maintain quality information and data and has done many things toward that end thus far. Since this is still a new and evolving project, we are still operating with an improvement model theme. DPB will establish internal procedures for analysts to follow when reviewing performance measure data submitted by agencies. Further, in cases where DPB believes that changes are needed, those changes and the information communicated to the agency requesting such changes will be fully documented.

APA Recommendation

Recommendation #2

As with our previous reports, Virginia Performs does not include a link between the budget structure and amounts appropriated to the performance measures on Virginia Performs. Without this linkage, it is very difficult to use the performance measures information to evaluate how well the Commonwealth is using budget resources. To achieve this linkage will involve a significant collaborative effort between the executive and legislative branches that develops a budget with performance measures and in turn reports on the results of performance outcomes within the budget execution process. As the Commonwealth moves forward with its enterprise wide systems initiatives, addressing the issue of linkage will require the participation and agreement of the executive and legislative branches as to how the budget will measure and report this performance

Virginia has long been at the forefront of innovation, implementing a smart system of strategic planning tied to real results in state budgeting. *Virginia Performs* is a key component of this system in that it promotes transparency in how state agencies perform. For each agency, visitors can view either summary measures or a complete listing, including efficiency, output, outcome, and accreditation measures. Agencies and the Governor use the *Virginia Performs* goals and performance information to guide budgeting and program management in order to support and improve Virginia's performance in key areas.

Smart long-term planning is one reason Virginia has long been one of the best managed states in the country. In the 2007 PEW Center on the States Government Performance Project, Virginia received an "A" for information which included budgeting and managing for performance. The report noted that "the trick to making performance measurement work is to avoid the temptation to convert it into simple formulas. Managing a state is just too complicated to yield to one size-fits-all equations. And that's what makes Virginia's efforts in this field so impressive: The state avoids formulas and focuses on the harder work of asking why goals and targets aren't being

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met, then seeks to address the underlying problems. *Virginia Performs*, the state's performance-accountability system, tracks measurable societal outcomes as well as the agency goals and management benchmarks that will help achieve them. Virginia proves that tracking data—and holding employees accountable for outcomes can work wondrous efficiencies.”

We do not dispute the APA's finding that it is difficult to link agency budgets directly to performance measures. We agree that a sincere and collaborative effort between the executive and the legislative branches of state government is needed to achieve the desired connection between the raw performance data and the programs and services that people understand generally. We very much appreciate the APA's understanding that the Commonwealth's current financial systems have inherent technological shortcomings that significantly hinder measurable progress in defining and reporting on the relationships. We are proud of the progress that has been made in Virginia relative to the performance budgeting model and the recognition that Virginia has received to date from various independent reviews of such efforts.

Again, thank you for the opportunity to respond to the report.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. S. Timberlake', with a large, sweeping flourish at the end.

Daniel S. Timberlake