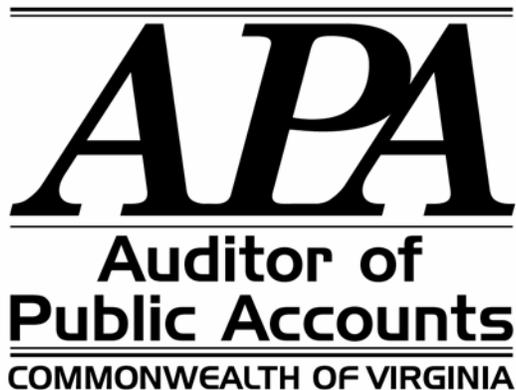


REVIEW OF PERFORMANCE MEASURES

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**



EXECUTIVE SUMMARY

Our review found improvements in the accuracy, completeness and quality of the performance measure information reported on the Virginia Results Internet website (Virginia Results). Virginia Results, maintained by the Department of Planning and Budget, contains strategic planning and performance measure information for executive branch agencies. Planning and Budget, in collaboration with the Council on Virginia's Future, is in the process of transitioning to a new budget structure and performance management system that is intended to provide a stronger link between the budget and performance management information. We limited our review this year to agency performance measures that were transitioning to the new system; therefore, the sampled measures are likely to be of higher quality than the existing population of performance measures.

Our report identifies, discusses, and makes recommendations about important issues affecting the success of performance management in Virginia. The Council's continued leadership of the project, together with Planning and Budget's managerial execution is critical to the successful implementation of a comprehensive performance management system. We recognize that Planning and Budget and the Council's efforts in implementing the new performance management system are a work in progress. We have included the following recommendations, along with other recommendations, in our report. Our intent is that the Council and Planning and Budget consider the following recommendations as they continue their efforts:

- develop and communicate a model set of internal controls for agencies over performance measures information;
- develop an ongoing systematic process for reviewing and refining existing and new measures;
- plan for the long-term leadership of the Commonwealth's performance management system; and
- clearly define the role of Planning and Budget, as well as the individual agencies with respect to ownership of performance measure data.

Our review this year also included capital project performance measures that are reported biennially in the Six-Year Capital Plan. Our report includes two recommendations for improving the quality and availability of this performance measures information for capital projects.

- TABLE OF CONTENTS -

	<u>Pages</u>
EXECUTIVE SUMMARY	
TRANSMITTAL LETTER	1- 3
REVIEW OF AGENCY PERFORMANCE MEASURES:	
Background Information	4- 5
Scope and Method of Review	5
Results of Review	6- 8
Other Issues for Consideration	8-10
REVIEW OF CAPITAL PROJECT PERFORMANCE MEASURES:	
Background Information	11-13
Scope and Method of Review	13
Results of Review	13-14
APPENDICES:	
Appendix A - Results of Completeness Review by Agency	16-17
Appendix B - Results of Performance Measure Sample by Agency	18-23
Appendix C - Response from Department of Planning and Budget	24-25



Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
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March 31, 2006

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

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

Gentlemen:

We have completed our annual review of the Commonwealth's performance measures. The Department of Planning and Budget (Planning and Budget) maintains and reports these performance measures on the Virginia Results Internet website. This year's review also includes a review of capital project performance measures reported in the Six-Year Capital Outlay plan issued by Planning and Budget. We conducted our review in accordance with standards for performance audits set forth in the Government Auditing Standards issued by the Comptroller General of the United States.

Purpose

We performed our review to satisfy the requirements of Section 30-133 of the Code of Virginia. The Code of Virginia requires the Auditor of Public Accounts to review and report annually on whether state agencies are providing and reporting appropriate information on financial and performance measures to Planning and Budget. It also requires the Auditor to review the accuracy of the management systems used to accumulate and report the results and makes recommendations for new or revised performance measures.

Our objectives in reviewing the performance measures information were to:

- determine whether the 2005 performance results and target information is complete for all measures;
- determine whether 2005 performance measure information is accurate and can be understood by an average user;
- determine whether Planning and Budget and agency internal control processes and procedures are adequate to ensure the integrity of performance information;
- evaluate the current plan for and progress towards an integrated performance management system; and
- determine the status of prior year recommendations.

Scope and Methodology

Our review of agency performance measures was limited to executive branch agency performance measures reported to and published by Planning and Budget on its Virginia Results website. The State Council of Higher Education (SCHEV) is responsible for college and university measures; therefore, these measures are not included in this review. We further limited our review this year to performance measures that are transitioning to the new service area performance management system. As a result, the population of performance measures subject to testing was smaller than in our previous reviews. Our review of capital project performance measures included performance measures reported in the Six-Year Outlay Capital Plan issued by Planning and Budget in December 2005.

Our work included reviewing the databases maintained by Planning and Budget for completeness and selecting a sample of performance measures for detailed review. We obtained supporting documentation for each performance measure in the sample and information related to internal controls. We did not review information system controls over the Virginia Results website since Planning and Budget is planning to replace this system, nor did we review controls over the planned replacement system since specifications for that system were not available.

We also verified whether the agencies in the sample had published their strategic plans to their websites as required by Section 2.2-5510 of the Code of Virginia. In addition, we met with Planning and Budget and the Executive Director of the Council on Virginia's Future (Council) to gain an understanding of the status of the performance management reporting system that will replace Virginia Results.

Results of Review

Our review found that agencies are updating their measures and targets timely. We also found that agencies are reporting a relatively large percentage of outcome measures. Previously, Planning and Budget and the Auditor of Public Accounts emphasized the reporting of more outcome measures since these are better indicators of performance than output measures. The sampled measures show improvements in accuracy and understandability this year. However, the sample is biased since it was drawn from measures that were selected to transition to the new system. Therefore, the sampled measures are likely to be of higher quality than the existing population.

Our review of internal controls at Planning and Budget and within the sampled agencies continues to indicate a need for stronger, documented controls to ensure the accuracy, verifiability and understandability of performance measures. These controls become even more important next year when agencies will report on over 2,000 performance measures. While all agencies have submitted their strategic and service area plans to Planning and Budget, one-fourth of those agencies in our sample had not posted their plans to their websites by the January 31 deadline set by Planning and Budget and as required by the Code of Virginia.

Planning and Budget, in collaboration with the Council and agencies, achieved an important milestone with the restructuring of the legislative budget that linked agency strategic plans and performance measures. This accomplishment advances the performance management system closer to the goal of providing information useful for managing and improving the efficiency and effectiveness of government operations, making wise public policy decisions in allocating resources and informing interested citizens.

Planning and Budget and the Council face these new challenges in achieving this goal:

- developing a web-based system that meets the information needs of legislators, agency management, and the public;
- obtaining input from the public on the understandability and usefulness of measures;
- developing a systematic process for ongoing review and refinement of measures to ensure they are understandable and accurate, and to continuously align measures to strategic objectives;
- using the measures to evaluate program effectiveness and efficiency; and
- developing efficiency measures to capture the cost to provide services.

Our review identifies, discusses, and makes recommendations about important issues affecting the success of performance management in Virginia. The Council's continued leadership of the project, together with Planning and Budget's managerial execution is critical to the successful implementation of a performance budgeting system.

We recognize that Planning and Budget and the Council's efforts in implementing the performance management system are a work in progress. Our intent is that the Council's and Planning and Budget's leadership consider these recommendations as they continue their efforts.

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

EXIT CONFERENCE

We discussed this report with Planning and Budget management on May 17, 2006.

AUDITOR OF PUBLIC ACCOUNTS

LR/kva

REVIEW OF AGENCY PERFORMANCE MEASURES

This section describes the results of our review of 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. The Commonwealth's performance management system includes strategic planning, strategic performance and productivity measurement, program evaluation, and performance budgeting. Section 2.2-1501 of the Code of Virginia delegates the responsibility to develop, coordinate, and implement the performance management system to Planning and Budget. Furthermore, Planning and Budget has statutory responsibility to "ensure that the information...is useful for managing and improving the efficiency of state government operations, and is available to citizens and public officials."

This section has three areas. The first area provides background information and discusses the current status of the Commonwealth's performance management system. The second section describes the scope of work and how the auditor performed the review. The third section presents the results of the work performed and provides recommendations supported by our observations during the course of work and knowledge of best practices.

Background Information

The goal in implementing performance management is to provide information about government programs, so that lawmakers can make informed public policy decisions, management can direct its efforts, and taxpayers can have information on the government's activity. An effective performance management system integrates strategic planning, budgeting, performance measurement, and program evaluation. Performance measures provide feedback about whether strategies implemented to achieve agency goals are working effectively. Performance measures are part of the program evaluation process to adjust and allocate dollars towards a stated goal. Important determinants of the success of a performance management system depend on how accurately performance measures capture program results and how management and legislators use the information in decision-making.

The Commonwealth's efforts to measure government program results began in the mid 1990's. Agencies developed the first strategic plans that included agency performance measures in 1995. In 2000, Planning and Budget launched the Virginia Results website that made agency performance data available to the public. Since then, Planning and Budget has guided agencies through an annual process of updating their performance measures that typically occurs in late summer in advance of budget development. In 2003, the General Assembly established the Council on Virginia's Future (the Council) to develop a unified vision for the Commonwealth and to guide Planning and Budget in aligning agency strategic plans and performance measures to the vision.

However, until recently, the Commonwealth's performance management system could not provide feedback about the effectiveness of programs because of the lack of a budget link to performance measures. As a result, legislators could not make effective use of the information in budgeting decisions. Furthermore, measures were not published with sufficient context for evaluation and were sometimes difficult to understand and inaccurate.

Planning and Budget develops, coordinates, and implements the Council's vision for an integrated performance management system that effectively links budgeting, planning, performance measures and program evaluation. Planning and Budgeting must provide the General Assembly with a report on agency fiscal year 2008 performance results to evaluate programs by January 2009.

In order to make program evaluation possible, Planning and Budget directed a statewide reorganization of the legislative budget and agency strategic plan structures. A common coding structure using service areas links agency strategy, programs, and the budget. Planning and Budget required agencies to develop objectives for each service area with corresponding performance measures. Planning and Budget provided extensive training to agencies to assist them and budget analysts provided one-on-one assistance as needed.

By fall 2005, agencies had revised their strategic and service area plans and developed approximately 2,000 performance measures. A core of approximately 200 of these measures transitioned from the existing Virginia Results performance system. Planning and Budget directed agencies to publish their strategic and service area plans on their websites by the end of January 2006.

The Governor's proposed budget and the Executive Budget document for the 2006 - 2008 biennium introduced the new service area budget structure and performance measures. The Executive Budget document included proposed appropriations for each agency service area, a narrative description of the performance measures, and baseline and target information. The Executive Budget document did not include performance results because of the number of revised and new measures. During fiscal years 2006 and 2007, agencies will report and publish data on the new set of measures, so that legislators will finally have data to evaluate a service area's performance by the end of fiscal 2008 as required by law.

In addition to these changes, Planning and Budget and the Council plan to publish the new performance information to an interim website that will replace the existing website, Virginia Results. The new interim system will become operational for fiscal year 2006 information. System specifications related to this system are still under development and were not available at the close of fieldwork. The Council is leading the effort to design, develop, and implement a more permanent statewide website for performance measures. The permanent website will integrate agency and state level performance measures and assemble sufficient information, so that policy and decision makers and interested citizens can use the performance measures.

Scope and Method of Review

We were provided a copy of the Virginia Results database as of October 4, 2005 to use in our review. We excluded all higher education performance measures that are the State Council on Higher Education's (SCHEV) responsibility. Our review included the remaining 605 measures in the database to determine if agencies updated timely and complete information for fiscal year 2005 performance information.

In addition, we selected a sample of 31 measures and reviewed these for accuracy and understandability. Our sample focused only on those measures that were transitioning to the new performance management system. To determine which measures would continue in the new service area performance measures, we cross-referenced the database of 605 measures to the Executive Budget Summary and identified 221 existing measures. From this set of measures, we excluded the 20 measures audited in fiscal year 2004. Our sample came from the remaining population of 201 measures. We also verified that the each agency in the sample had published its strategic plan to its website.

We communicated with management and staff of the agencies in our sample to evaluate the existing internal controls for the reviewed performance measures. We also reviewed presentation materials and reports published by the Council and met with the Executive Director to obtain an understanding of the plans and timing for a new performance management system. In addition, we reviewed Planning and Budget's strategic planning instructional materials, instructions and performance measure update instructions and communicated with Planning and Budget management.

Results of Review

We evaluated the Virginia Results performance measures for completeness, accuracy, and understandability and discuss our findings and recommendations below. Other prior year recommendations were satisfactorily resolved or are included in this year's recommendations.

Completeness of Performance Measures

We reviewed the completeness of the Virginia Results database to determine if agencies are updating their performance results and target information timely as required by Planning and Budget. In August 2005, Planning and Budget instructed agencies to update Virginia Results with their fiscal year 2005 measure results and target information by September 1, 2005.

Our review included the entire population of 605 agency measures in the Virginia Results database as of October 4, 2005. Our review found untimely updating of 15 (2.6 percent) performance measures for 2005 results, which compares to 2.1 percent for 2004 results. Target information was incomplete for less than one percent of all measures, which was the same percentage as in fiscal year 2004. In those instances with untimely updates of performance results, the auditor reviewed the explanations provided in Virginia Results to see if the agency reasonably explained why they had not updated the information. Agencies explained that some measures depend on data collected for the federal fiscal year or calendar year and was therefore, not available by Planning and Budget's deadline. If the agency provided an adequate explanation for its actions, we did not consider this measure as incomplete. Appendix A provides a list of measures by agency that were incomplete as of October 4, 2005.

Accuracy of Performance Measures

As indicated earlier, we limited our testing and while we found that three (9.4 percent) out of 31 performance measures results tested were not accurate, we do not believe the user can extrapolate these results to the entire population. Refer to Appendix B, *Results of Performance Measure Sample*, for a complete list of sample measures, descriptions, and the audit results for individual agencies.

Planning and Budget's instructions do not provide specific guidance to agencies regarding internal controls over data. Furthermore, Planning and Budget does not have internal procedures for verifying measures before placing the information on the website. Currently, when an agency inputs a measure, there is no requirement that the agency checks it for accuracy or formally approves it.

Agencies determine what, if any, internal controls exist over their performance measures systems and most procedures are informal and undocumented. In order for agencies to produce consistently reliable performance measures, each agency must own the performance information at a senior level of management by providing appropriate approvals. In addition, agencies should document and implement standard operating procedures to ensure accuracy. It is Planning and Budget's responsibility as the manager of the performance management system to require this level of ownership within the agencies.

Recommendation 1

We recommend that Planning and Budget and the Council develop and communicate a model set of internal controls for agencies to use or adapt based on each agency's individual resources. Agencies should develop, document, and implement internal controls over performance measures. Such controls should include the delegation of authority to review and approve performance measure results at a senior level of management.

The APA Performance Measure Review for fiscal years 2003 and 2004 both recommended that Planning and Budget set minimum standards for the development of internal controls.

Understandability of Performance Measures

We found that of the 31 measures in the sample, three (nine percent) were not understandable. The standard for understandability is that an average person with an average education and a desire to analyze the information should be able to understand the performance measure. We continue to find the use of jargon and terms not adequately defined; inconsistent wording of measures as goals or objectives; and descriptions that may be understandable to an agency insider, but not to a member of the public.

This year, Planning and Budget modified many of the measure descriptions in the publication of the Executive Budget Summary. We considered a measure understandable if it was understandable in either Virginia Results or the Summary. We also limited understandability to the language used in the measure description only. We did not evaluate the understandability of other narrative fields in Virginia Results since Planning and Budget will replace this system next year. We caution against making comparisons with last year since our evaluation criteria this year was relaxed due to changes in the system.

A key purpose in developing the performance information system is so that state government will be transparent and accountable to Virginia citizens. However, the public has not been meaningfully involved in identifying which agency measures are most important to them, or assessing performance measure understandability.

Recommendation 2

We recommend that Planning and Budget develop an ongoing systematic process for reviewing and refining existing and new measures, so that an average user can understand each measure. We also recommend that the Council obtain public input and feedback on the understandability of key measures.

Types of Measures Reported

We used our sample to determine whether Planning and Budget's fiscal year 2005 training and instructions on outcome measures was successful in achieving broader use of such measures. We found that 26 of the 31 (81 percent), performance measures were outcome measures. Outcome measures are those measures that explain how well a program is performing, whereas output measures simply quantify how much an agency is doing.

The next challenge in the evolution of the Commonwealth's performance management system will be to develop and use efficiency measures together with outcome measures. Efficiency measures provide information about the cost to provide a particular service, usually on a per unit basis. Government programs must not only be accountable to taxpayers to be effective, they must also allocate taxpayer resources wisely. The public and policy makers need efficiency measures to answer the question, "How much are we willing to pay for this service?" as well as to evaluate the success of management's efforts to control costs.

Recommendation 3

We recommend that Planning and Budget and the Council identify a core set of agency services for which efficiency measures are most important and develop a methodology for obtaining and reporting this data.

Other Issues for Consideration

We provide the following observations and recommendation for consideration by Planning and Budget and the Council as they move towards a new performance management reporting system that will eventually replace Virginia Results.

Leadership

Under the guidance and direction of the Council, the Commonwealth has made significant progress towards implementation of an integrated performance management system that will be useful for program evaluation. This was possible due to the Council's strong visionary and change management leadership. Vital to the Council's success is the support provided by the governor, the legislature, and citizen members. This type of long-term leadership will be necessary for the Commonwealth to fully implement and realize the benefits of the system. The Council is due to sunset at the end of fiscal year 2008.

Recommendation 4

We recommend that the Governor and General Assembly plan for the long-term leadership of the Commonwealth's performance management system.

Roles and Responsibilities

In order for the Commonwealth to implement the next series of changes and manage a growing set of performance measures, the roles and responsibilities within the supporting organizational structures need to be clearly defined and the ownership of and accountability for results clearly delegated. Clear definitions of roles and responsibilities will facilitate the development of a statewide framework of controls that will ensure that measures are reasonably accurate, understandable, and verifiable.

There are two levels of controls over performance measures, at the agency level and at Planning and Budget. Planning and Budget, as the lead agency that manages the performance reporting system, plays two important roles. First, Planning and Budget, is responsible for establishing the overall control environment that includes standards and guidelines for agencies to use or adapt in developing their internal controls.

Second, Planning and Budget is responsible for including automated controls in the system design to the extent that they are cost-effective.

Agencies are responsible for implementing and monitoring their own internal controls to ensure measure accuracy, understandability, and usefulness. Planning and Budget must emphasize to the agencies the importance of data integrity since, in the very near future, the efficiency and effectiveness of each agency's programs will be evaluated based on its performance measures.

Recommendation 5

We recommend that Planning and Budget clearly define its and the agencies roles and responsibilities with respect to the ownership of performance measure data.

Information System Controls

In our prior years' reviews, we have made various recommendations to strengthen information system controls. It is important that adequate information system controls exist in the new system procedures and design and, therefore, we include them below.

Recommendation 6

Adequate user access controls will be necessary to ensure the integrity of the data reported in the new performance management system. Controls over access will reduce the risk of unauthorized users gaining access to and possibly modifying performance measure information. As use of performance information increases, securing the information to ensure reliability becomes more important. Planning and Budget will need to develop policies and procedures to address:

- *granting access to the new system, including establishment of log ins and passwords;*
- *deleting access when authorized users terminate employment or change assignments; and*
- *preventing users from changing, modifying, and deleting data.*

In addition, Planning and Budget should consider the use of automated approvals for release of performance measures data and the effectiveness of incorporating various edit checks to help flag missing or incorrect data.

Strategic Plans

Six out of the 24 (25 percent) agencies in the sample published their strategic plans on their websites. A Department of Human Resource Management leadership communiqué informed agencies that they needed to publish their strategic and service area plans to their websites by January 31, 2006, in order to comply with Section 2.2-5510 of the Code of Virginia. We found it difficult to locate some strategic plans.

Recommendation 7

The strategic plans contain contextual information that is valuable for evaluating trends in program performance. We recommend that any new web-based performance measurement system include links to the agency strategic plan. We also recommend that the Council consider standardizing the location of the strategic plan link on agency websites, so that they are easy to find.

REVIEW OF CAPITAL PROJECTS PERFORMANCE MEASURES

Background Information

Chapter 814 of the 2002 Acts of the General Assembly required the Departments of Planning and Budget and General Services to develop performance measures for capital projects. These measures could include information on projects and whether they were completed on time and within budget. As directed, staff from these departments developed the following six performance measures for the capital outlay process:

- time from project authorization to hiring of architect;
- time from project authorization to project completion;
- cost changes from original cost estimate to final project cost;
- number of change orders;
- total cost of change orders; and
- average cost per change order.

The intent of the six measures is to assess whether state agencies are successful in completing capital outlay projects on time and within budget. The first capital performance measure considers all active projects and assesses how long it took an agency to hire an architect/engineer after given authority to initiate the capital project. The second measure considers all completed projects and assesses the time frame between a project's authorization date and its date of completion. The third measure also considers all completed projects and evaluates a project's cost change, from original cost estimate to final project cost. The three remaining performance measures focus on change orders, which are a reflection of an agency's ability to properly plan and consider most contingencies associated with a project.

Chapter 814 also required the reporting of these measures and their results at a summary level as part of the Six-Year Capital Plan issued every other year. To calculate the summary results, Planning and Budget computed the various measures of individual capital projects and then averaged the result. The 2003 Six-Year Capital Plan issued in November included the first reported results and represented a composite of fiscal years 2001, 2002, and 2003, which form a baseline for future year assessments.

Planning and Budget developed targets for the first three capital project performance measures. They did not develop targets for change orders, and instead use the results for quantitative purposes. Targets for capital project measure data represent an average. These targets are also included on the management scorecard for the Director of Planning and Budget.

We used the December 2005 Six-Year Capital Outlay Plan to test the capital project measures results and targets and have listed them in the following table. The plan also includes some narrative explanations detailing why certain measure results varied from the baseline or target.

Capital Project Performance Measures			
Performance Measure	Baseline (2004-2010)	2005 Actual Results	Targets for 2006
Time from project authorization to hiring of architect	288 days (average)	393 days (average)	120 days
Time from project authorization to project completion	1,184 days (3.2 years)	1,331 days (3.6 years)	1,095 days
Cost changes from original cost estimate to final project cost	\$520,880 cost savings (.22 percent of final cost)	43 projects were completed with a savings of \$27,136,996; If cancelled projects are eliminated from the measure, final cost increases by \$22,368,004 (14.7 percent)	100 percent
Number of change orders	195 change orders (average of 1.5 change orders per project)	98 change orders (average of 2.2 changes per project)	No target established
Total cost of change orders	\$4,438,206	\$2,952,804	No target established
Average cost per change order	\$19,904	\$30,131	No target established

Source: Governor's Six-Year Capital Plan 2006 - 2012

Planning and Budget uses information in the capital reappropriation database, also known as the Form A database, to calculate performance measure results. The Form A database accumulates capital project information submitted annually by agencies as part of the year-end closing process. The database includes information on the status of capital projects and supports reappropriation requests. Agencies must submit a Form A for each project reported on the CARS ACTR 1408 report as of May 9 of the current fiscal year. Agencies complete the Form A data based on the capital outlay forms submitted during the life of a project. Planning and Budget eliminates umbrella and maintenance reserve projects from the calculations of performance measures because they are ongoing and involve subprojects. The calculation also eliminates any projects originally approved or initially funded before July 1, 1999.

The Form A has several sections to accumulate capital project information, including general information, the basis for carry-forward, status of the project, project budget status, and justification. The general information section includes the name of the agency and characteristics of the project: title, type, code, date of funding, and date of completion. The basis for carry-forward indicates what stage the capital project is in and helps point out whether the unexpended balance of the project will revert. The project budget status section of the Form A gives a breakdown of the original budget of a capital project, and the project's commitments, expenditures, and carry-forward requests. The justification section supports any reappropriation requests.

Planning and Budget analysts have internal procedures for reviewing Form A information to ensure that it is complete and accurate. Procedures require analysts to review information including the CARS ACTR

1408 A2 report, the Form A, and supporting capital outlay forms or other contract documentation. General Services also prepares a report showing all projects for which it has received a Certificate of Occupancy (CO-13) or Project Completion Report (CO-14) to assist analysts in their review.

Scope and Method of Review

We reviewed the capital project performance measures information reported in the Six-Year Capital Plan issued in December 2005. Our objectives in reviewing the capital projects performance measures were to determine:

- whether agency and Planning and Budget's procedures are sufficient to ensure Form A data is accurate, complete, and understandable;
- whether performance measure results reported are accurate and reliable; and
- the use of capital project performance measure results in the budget process or elsewhere in decision-making.

Results of Review

For our review, we obtained a copy of the Form A database from Planning and Budget and the supporting calculations used to arrive at the summary results reported. We reviewed the database, gained an understanding of the methodology for calculating the measures, and recalculated the summary results.

Recommendation 8

We recommend Planning and Budget evaluate the methodology for calculating the measure "cost changes from original cost estimate to final project cost". The results reported in the Six-Year Capital Plan were calculated two ways. One result included cancelled projects while the second did not. We recommend Planning and Budget review the methodology to determine whether cancelled projects should be included in this measure result. We do not believe they should be included because it skews the results and does not give a clear picture of cost changes for completed projects.

We met with Planning and Budget staff and examined their procedures to understand their process for reviewing information. The procedures were thorough and appeared adequate to ensure that the Form A information is complete and accurate. We selected a sample of 20 active capital projects and ten completed projects to test the accuracy of the information reported in the Form A database. We traced the information in the Form A database back to supporting documentation and CO forms maintained by the individual agencies.

We found the following instances where the Form A information did not agree with the documentation maintained by the agency:

- Out of the 20 active projects reviewed, one (five percent) approval date listed in the Form A database for Architectural/Engineering Contract for Professional Services (CO-3) was incorrect. For Virginia Community College System's project 16610, the actual CO-3 approval date was October 3, 2002, but was listed in the Form A database as October 23, 2002.

- Out of the ten completed projects reviewed, two (20 percent) Certificate of Completion by Architectural/Engineering or Project Manager (CO 13.1) dates listed in the Form A database did not agree with the actual dates of the CO 13.1 forms provided by the agency. For the University of Virginia's project 16566, the actual CO-13.1 approval date was August 7, 2003, but the Form A database date was December 31, 2004. For Virginia Polytechnic Institute and State University's project 16485, the actual CO-13.1 date was February 28, 2005, but the date in the Form A database was December 9, 2003.
- One out of ten (ten percent) expended totals for capital projects listed in the Form A database did not trace and agree with supporting documentation. The actual expended total for Virginia Commonwealth University's project 16406 was \$11,240,456, but the Form A database amount was \$11,254,848.

While none of these errors significantly impacted the summary performance measure results reported in the Six-Year Capital Outlay Plan, these results show that information in the Form A database is not accurate and reliable in all cases.

Lastly, we met with Planning and Budget staff to determine if and how the staff or other decision makers use the capital project measures information in the budget process. Planning and Budget analysts use capital project measures as one factor when assessing an agency's budget request. The conclusions drawn from capital project performance measures combined with an agency's other performance measures provide an assessment of an agency's total behavior. For example, if an agency repeatedly does not complete projects on time and continually underestimates the budget of a capital project, these factors are considered in determining if the agency will receive new projects.

Since Planning and Budget only reports the capital project measure information biannually in the Six-Year Capital Plan at a summary level, this information has limited use for decision makers.

Recommendation 9

Planning and Budget and General Services should work together to identify opportunities to expand the reporting of capital project performance measures. Expanded reporting could include the ability to evaluate measure results for individual projects and make the information available on an annual basis. Planning and Budget should also consider another reporting mechanism in addition to the Six-Year Capital Plan such as on their website or in the Executive Budget Document, similar to agency performance measures.

APPENDICES

RESULTS OF COMPLETENESS REVIEW BY AGENCY

Agency Name	Description of Measure	2005 Results	Target Info
Commonwealth Attorneys' Services Council	15 percent or greater increase (above the CY 2002 baseline of 22 jurisdictions) each year in the number of jurisdictions operating the Virginia Commonwealth's Attorneys' Information System (VCAIS). VCAIS is designed to manage many important functions within prosecutors' offices, including docket control, pre-trial confinement tracking and the coordination of victim-witness services.	X	
Criminal Justice Services	Complete General Assembly or Administration initiatives.		X
	Integrate Virginia's criminal justice data systems to provide judges, Commonwealth's Attorneys, law enforcement officers, and other criminal justice professionals with better and faster information, when and where it is needed.		X
	Reduce the number of duplicate samples submitted to the Division of Forensic Science for DNA profiling and inclusion in the database.	X	
Department of Charitable Gaming	Percentage of organizations submitting financial reports and fee payments to the department electronically	X	
Department of Corrections	Number of offenders in transition programs.	X	
Education	By July 2005, online tests will be utilized to reduce the number of paper/pencil tests.		X
	From FYs 2005 - 2008, the Department of Education will implement a statewide system of support for the public schools as measured by an annual increase of five percent in the number of students attending fully accredited schools.		X
	From FYs 2005 - 2008, Virginia's high school graduation rate will increase by two percent each year.		X
	SOL scores for identified subgroups of low-performing students will show a positive gain in percentage points each year between 2003 and 2006 and will exceed annual gains made by subgroups of higher-performing students.		X
General Services	Number of transactions via the electronic procurement network (eVA).		X
	Number of state and local agencies that made eVA purchases.		X
	Percentage change in the utilization of the Office of Graphic Communications (OGC).		X
Innovative Technology Authority	Number of undergraduate and graduate students graduating with degrees in engineering and the sciences.		X
Juvenile Justice	Average number of individual counseling sessions per month for juveniles in the juvenile correctional centers.		X
Office of Commonwealth Preparedness	By September 30, 2002, all plans will have been reviewed. *Future plans will be reviewed within 90 days of receipt.	X	
Planning and Budget	Per capita federal grants to Virginia (annual measure)		X
Southwest Virginia Higher Education Center	Increase the annual number of courses, conferences and special requests transacted via the website. Currently all courses are scheduled via web entries and no special events.		X

Note: "X" indicated the agency's data was incomplete

Appendix A

Agency Name	Description of Measure	2005 Results	Target Info
Veterans Services	Percentage of program approval requests reviewed and acted upon within 30 days of receipt. Desired outcome: Improved access to approved education and training programs by veterans and other persons eligible for Montgomery GI Bill benefits.	X	
	Number of veterans education outreach programs and activities held per year using federal FY 2003 as a baseline (17 outreach programs held in federal FY 2003). Desired outcome: Increased awareness of educational opportunities available to veterans and eligible family members.	X	
Virginia Board for People with Disabilities	Percentage of advocates reporting they significantly benefited from board sponsored leadership and advocacy training programs. (FY 2002 Baseline = 80%; FY 2003 Target = 85%)	X	
	Percentage of project outcomes achieved by community inclusion grant recipients. (FY 2002 Baseline = 80%; FY 2004 Target = 85%)	X	
	The number of disability policy recommendations presented to the Governor and Executive Branch officials. (FY 2002 Baseline = 4; FY 2003 Target = 6)	X	
	The number of individuals with disabilities and family members forwarded to the Governor for appointment to boards and commissions throughout the state (FY 2002 Baseline = 8; FY 2003 Target = 16).	X	
Virginia Employment Commission	Achieve a score of at least 75 percent for the adult entered employment rate as measured by the Region II USDOL Office.	X	
	Meet the USDOL standard for prompt payment of UI claims. The current standard requires that 87 percent of payments be made promptly; the VEC will strive for 90 percent.	X	
Virginia Information Technologies Agency	Dollar volume of agency Small, Women, and Minority Business (SWAM) procurement participation		X
Virginia Racing Commission	Ten percent increase in the number of awards distributed from the Virginia Breeders Fund (from the 694 issued in 2001) for 2003 and a 15 percent increase for 2004.	X	
	Test two or more horses from every race, blood samples collected from 100 percent of the horses and urine samples collected from 90 percent of the horses.	X	

Note: "X" indicated the agency's data was incomplete

RESULTS OF PERFORMANCE MEASURE SAMPLE BY AGENCY

Annual Performance Measures

Agency Name	Performance Measure	2003	2004	2005	Proposed Baseline	Proposed Target	Review Results
Aging	Increase the number of transportation one-way trips provided by the 25 Area Agencies on Aging.	672,383	645,874	571,095	571,095	571,095	We recommend that Aging develop an outcome measure and an efficiency measure for its transportation services.
Aviation	Percentage of time that department-owned electronic navigational aids are not available for service	1.1	0.9	0.7	1.1	1	Aviation must post its strategic and service area plans to the web in compliance with Virginia Code.
Business Assistance (BA)	Number of business employees retrained each year.	7,800	6,600	3,162	3,162	3,200	BA should correctly label this as an output measure in its strategic plan. We recommend that BA add to or replace this measure with an outcome measure that better reflects the services provided in this service area.
Criminal Justice Services (CJS)	Increase and maintain the number of regulatory programs that consistently follow the APA process.	n/a	95.0	96.0	*	*	We recommend that CJS work with their Planning and Budget analyst to identify a measure that better captures the performance of the activities in this service area. <i>* Baseline and target are not meaningful for this measure.</i>
Comprehensive Services for At-Risk Youth and Families (CS)	The percentage of Comprehensive Services Act (CSA) youth served in community and family based settings compared to CSA total youth served	66.0	62.8	68.0	62.8	64.2	We recommend that CS review the current target to ensure that it is sufficient, given the agency's resources, to stimulate improvement.
Education-Central Office Operations	By July 2005, online tests will be utilized to reduce the number of paper/pencil tests.	66,035	279,210	579,000	*	< 10%	Education must publish its service area plans to the web to comply with the Virginia Code. We recommend that Education explain the key factors, internal and external, that affect performance sufficient for the reader to evaluate current performance results. Refer to Recommendation 5. <i>* The basis for this measure has changed for the new measure, so the baseline is not comparable to the existing measure results.</i>
	Each year through 2005, Standards of Learning (SOL) pass rates in PASS priority schools will improve by 10% in English and mathematics.	60.7	68.3	72.8	10%	< 10%	We recommend that Education rewrite this measure in plain English so that an average user can understand it. Education must publish its service area plans to the web in order to comply with the Virginia Code.

RESULTS OF PERFORMANCE MEASURE SAMPLE BY AGENCY

Annual Performance Measures

Agency Name	Performance Measure	2003	2004	2005	Proposed Baseline	Proposed Target	Review Results
Health Professions (HP)	Have 60% of all licenses renewed online in FY 05.	n/a	@	75.0	70.0	Increase	<p>We recommend that HP explain the key factors, internal and external, that affect performance sufficient for the reader to evaluate current performance results.</p> <p>HP must publish its service area plans to the web to comply with Virginia Code.</p> <p>Refer to Recommendation 5.</p>
Housing and Community Development	Percentage of households placed in permanent housing from transitional shelters for the homeless.	66.5	59.0	51.0	5,487 households *	4,500 households *	<p>No recommendations.</p> <p><i>* This measure is changing from a percentage to the number of households in the new performance management system.</i></p>
Human Resource Management (HRM)	Level of satisfaction with training offered as measured through separate surveys of training recipients and of the agency's key management personnel (6 equals maximum satisfaction)	5.3	5.9	5.6	4.5	5	<p>We recommend that HRM explain key factors, internal and external, that affect performance sufficient for the reader to evaluate current performance results.</p> <p>Refer to Recommendation 5.</p>
Human Rights Council	Percentage of complaints doled file with EEOC that are investigated and closed.	n/a	n/a	22.0	annual caseload	100%	<p>The value input was 122. The percentage was incorrectly calculated due to a math error. The correct value is 22%. We recommend that a math check be performed by a person independent from the person calculating the data.</p> <p>We recommend that the Council work with their DPB analyst to re-write this measure so that it is understandable to an average citizen.</p> <p>We recommend that the Council explain the key factors, internal and external, that affect performance sufficient for the reader to evaluate current performance results.</p> <p>Refer to Recommendation 5.</p>
Jamestown-Yorktown Foundation (JYF)	Annual increase in the number of donors	10	17	21	FY 2006 number	10% increase	<p>The number 399 was input incorrectly due to human error. The correct value is 21 donors.</p> <p>We recommend that JYF require that a person independent from the person calculating the measure verify that the measure is correct and reasonable.</p> <p>We recommend that JYF explain the key factors, internal and external, that affect performance so that a reader can evaluate service area performance.</p>

RESULTS OF PERFORMANCE MEASURE SAMPLE BY AGENCY

Annual Performance Measures

Agency Name	Performance Measure	2003	2004	2005	Proposed Baseline	Proposed Target	Review Results
Juvenile Justice (JJ)	Percentage of juveniles convicted of a new misdemeanor or felony that was committed within one year of release from the juvenile correctional centers.	37.6	37.6	NR	37.6	1% decrease	We recommend that JJ explain the key factors, internal and external, that affect performance so that a reader can evaluate service area performance. Refer to Recommendation 5 related to explanatory factors.
Labor and Industry (LI)	Reduce the number of work permit revocations for children working in hazardous occupations by providing review and assessment to all work permit issuing officers who had inappropriately issued a work permit.	n/a	0.0	119.0	119.0	To reduce by 10%	We recommend that LI explain the key factors, internal and external, that affect performance so that a reader can evaluate service area performance. Refer to Recommendation 5 related to explanatory factors.
Medical Assistance Services (MAS)	Number of children enrolled in the State Children's Health Insurance Program, which includes FAMIS and the Medicaid expansion program. (in thousands)	52.8	58.8	73.1	96%	95%	We recommend that MAS explain the key factors, internal and external, that affect performance so that a reader can evaluate service area performance. Refer to Recommendation 5 related to explanatory factors.
Mines, Minerals and Energy (MME)	Serious personal injury/fatality incidents per 200,000 work hours for Virginia's coal and mineral mines.	0.3	0.3	NR	0.14	< 0.14	The 2003, 2004, and 2005 performance data was input incorrectly in the subsequent year. We recommend that MME implement a standard, formalized procedure for approving measures and verifying math and input accuracy. MME must post its strategic and service area plans to the web to comply with Virginia Code.
Motor Vehicles	Cost per customer served (in dollars)	3.9	3.8	3.7	3.81	3.81	No recommendations.
	Operate at the current statewide seatbelt usage goal of 80.4%. The 2005 baseline usage is 80.4%	74.6	79.9	80.4	80.40%	82%	No recommendations.

RESULTS OF PERFORMANCE MEASURE SAMPLE BY AGENCY

Annual Performance Measures

Agency Name	Performance Measure	2003	2004	2005	Proposed Baseline	Proposed Target	Review Results
Rail and Public Transportation (RPT)	Increase the number of passenger trips taken aboard transit systems in non-urbanized areas of Virginia to match projected growth rate of Commonwealth's rural population.	n/a	NV	NV	923,000	941,000 (FY07)	<p>The number 1.2 million input to Virginia Results is incorrect. The correct value is 923,000. RPT should correct Virginia Results and verify and correct, if needed, the data for earlier years.</p> <p>We recommend that RPT implement a standard, formalized procedure for approving measures and verifying math and input accuracy.</p> <p>RPT must post its strategic and service area plans to the web to comply with Virginia Code.</p> <p>We recommend that RPT explain the key factors, internal and external, that affect performance so that a reader can evaluate service area performance.</p> <p>Refer to Recommendation 5.</p>
Veterans Services (VS)	Annual number of burials in Virginia's state-run veterans cemeteries by veterans and eligible dependents, using FY2003 as a baseline (169 burials in FY2003). Desired outcome: provide a dignified final resting place for more of Virginia's veterans and eligible family members.	169	179	443	*	*	<p>VS must post its strategic and service area plans to the web to comply with Virginia Code.</p> <p><i>*In the new performance management system this measure is reported for each cemetery. The target for the Horton cemetery is a 10% increase and the Virginia Veteran's cemetery is 20%.</i></p>
Virginia Economic Development Partnership (VEDP)	Billions of dollars invested by new or existing companies assisted by the partnership	3.6	3.3	3.2	\$2.20	\$2.75	<p>We recommend that VEDP explain the key factors, internal and external, that affect performance so that a reader can evaluate service area performance.</p> <p>Refer to Recommendation 5 related to explanatory factors.</p>
	Jobs created by new or existing companies assisted by the Partnership.	28,200	26,195	49,485	24,000	28,000	See recommendation above.
Virginia Employment Commission	Percentage of first payments made within 14 days of the first compensable week	86.2	86.5	88.6	86.7	= or > 87	No recommendations.

RESULTS OF PERFORMANCE MEASURE SAMPLE BY AGENCY

Annual Performance Measures

Agency Name	Performance Measure	2003	2004	2005	Proposed Baseline	Proposed Target	Review Results
Virginia Information Technologies Agency (VITA)	External customer satisfaction survey - Overall satisfaction rating	n/a	n/a	7.1			No recommendations.
	Percent of eligible services to citizens provided via information technology	n/a	n/a	72	72	90 (FY08)	In addition to this measure, we recommend that VITA report the cost per customer in order to evaluate the balance between the cost to provide and the need to provide these services to the extent it is not cost prohibitive.
Virginia Tourism Authority (VTA)	Increase the economic benefit of film production in Virginia by 3% annually.	0.5	(8.9)	10.3	\$ 192 million *	\$ 197 million *	<p>The percentage increase in the economic benefit of 10.3% reported in 2005 is actually the percentage increase in 2004 over 2003. This was explained in the footnote and therefore we did not count this as inaccurate. However, we recommend the VTA report the data in the correct period.</p> <p>We recommend that VTA maintain the supporting surveys for a minimum of two years to facilitate audits.</p> <p><i>* This measure is changing from a percentage to the economic benefit in dollar terms in the new performance management system.</i></p>

RESULTS OF PERFORMANCE MEASURE SAMPLE BY AGENCY

Semi-Annual Performance Measures

Agency Name	Measure Text	FY 2004 1st	FY 2004 2nd	FY 2005 1st	FY 2005 2nd	Proposed Baseline	Proposed Target	Review Results
Department of Health	Number of Medicaid-eligible children identified as having been screened for elevated blood lead levels, with subsequent notification to DMAS for follow-up care. Baseline FY 2000-FY 2003 (mean): 9,854; Target FY 2007: 11,332.	4,472	15,675	9,727	17,024	9%	10%	We recommend that Health correctly label this as an outcome measure in its strategic plan. We recommend that Health explain the key factors, internal and external, that affect performance sufficient for the reader to evaluate current performance results.
	Increase the percentage of 2 year-olds who have completed a set of immunizations against various childhood illnesses.	84	81	79.8	81.7	81	88	We recommend that Health explain the key factors, internal and external, that affect performance sufficient for the reader to evaluate current performance results.
	Number of protective sealants placed on children's teeth at public health clinics. Baseline FY 2004: 19,429; Target FY 2007: 21,000.	10,466	19,429	7,854	19,178	19,429	21,371	No recommendations.

Quarterly Performance Measures

Agency Name	Measure Text	FY 2005 1st	FY 2004 2nd	FY 2005 3rd	FY 2005 4th	Proposed Baseline	Proposed Target	Review Results
Department of Treasury	Percentage by which the number of valid unclaimed property claims are paid within 90 calendar days will exceed the target of 98.0%	99.9	100	99.3	100			We recommend that Treasury explain the key factors, internal and external, that affect performance sufficient for the reader to evaluate current performance results.
Department of Taxation	Handle at least 75% of all telephone calls offered by customers. (Maintain no greater than 25% abandon rate on telephone calls.)	92	93	92	90			No recommendations



COMMONWEALTH of VIRGINIA

Richard D. Brown
Director

Department of Planning and Budget

1111 E. Broad Street
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May 24, 2005

Mr. Walter J. Kucharski
Auditor of Public Accounts
PO Box 1295
Richmond, VA 23218

Dear Mr. Kucharski:

I received and reviewed your report on agency performance measures for the FY 2005. My department appreciates you noting the continued progress agencies participating in *Virginia Results* have made through the life of the program. Additionally, the recognition of the progress that state agencies, the Department of Planning and Budget (DPB) and the Council on Virginia's Future (Council) have made in further developing performance management is an encouragement to our continuing efforts. The recommendations that you provide, many of which were under consideration prior to this report, hold high merit and will certainly be acted upon in the continued evolution of the state's strategic planning and service area processes.

Of particular note among your recommendations is the delineation of the role that DPB plays in the development of strategic plans versus the role of state agencies (Recommendation Five). In fact, we feel this relationship lies at the core of all your recommendations. Previous strategic planning efforts in Virginia were too often regarded as a central agency reporting requirement or a budgetary procedure rather than a true planning effort to guide agency operations. In an attempt to overcome this perception, we have made great efforts to make strategic planning a management and decision-making tool for budget and policy decision making. If agencies and decision makers truly use this tool, many of the recommendations you make will likely be addressed. Agency ownership of the strategic plans is paramount to improving the system.

The next 12 months will hold many new developments in our attempt to implement a statewide performance-based budgeting system. Use of web-based technologies will improve agency as well as public access to performance data. Continued development of applications providing real time integration between planning, budgeting and expenditure data will strengthen the growing relationship between agency planning and the Council's operations. Also,

Mr. Walter J. Kucharski
Page Two
May 24, 2006

DPB in conjunction with the Council on Virginia's Future is now in the beginning stages of developing a standardized training package with suggested processes for agencies to use in the development of their strategic plans and performance measures. Recommendation One in your report acknowledges the need for this action but it also implies that DPB should make greater efforts to audit the accuracy and quality of performance measures. From our perspective, however, DPB is not in a position to serve in an internal auditing capacity outside of training and process development. We simply do not have sufficient staff nor do we really have the statutory authority, to undertake any auditory effort beyond training and guidance.

Finally, in regard to Recommendation Nine, there are a variety of ways the reporting of capital performance measures can be expanded. The intent of the original approach for capital performance measures was to show the status of the Commonwealth's capital program from a statewide perspective. To expand the reporting of capital performance measures, Commonwealth decision makers must decide how each measured result will be used and the level of detail desired. Because five of the six current measures apply only to completed projects, these measures could easily be shown for individual projects, unless a higher level of consolidation is desired. For the remaining measure (A/E timeliness), it is probably more useful to calculate this measure at agency level so as to measure the overall effectiveness of the agency in hiring architects on a timely basis. Again, alternative reporting mechanisms exist and can be implemented.

Thank you for your helpful recommendations on Virginia's performance management system and state agency performance measures.

Sincerely,



Richard D. Brown

c The Honorable William H. Leighty
The Honorable Jody M. Wagner