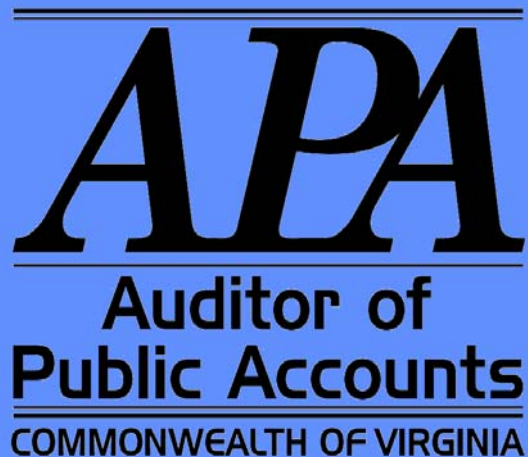


REVIEW OF AGENCY PERFORMANCE MEASURES

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2007**



EXECUTIVE 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.

The current performance management system has components for strategic planning, performance measurement, program evaluation and performance budgeting. Together, these components should provide information to manage strategy and improve and communicate the results of government services. Section 2.2-1501 of the Code of Virginia requires 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.

The Process Needs to Compare Performance Measurement with Amounts Budgeted

We evaluated the linkage between the budget structure and agency's performance measures to determine if the average citizen could understand the relationship between service areas, performance measures, and the budget. We evaluated 15 agencies and found that all agency's service areas had at least one performance measure; however most agency's service areas had multiple performance measures, which made it difficult to determine the funding directly related to a specific performance measure.

In addition, we found that most service areas perform more than one function and not all functions had a related performance measure tracking its progress. Therefore, there is no linkage or budget transparency between the performance measures and the use of budget resources, which would provide the average citizen the information to make an evaluation.

Findings and Recommendations

Virginia Performs is continuing to evolve and the Council on Virginia's Future and Planning and Budget will need to continue to work together to refine the performance management system. While there have been improvements since our last review, we believe there are areas where additional improvements are necessary in order to provide complete and accurate information on Virginia Performs that can be used in the decision making process. Our report includes recommendations on the following issues:

Although agencies have ultimate responsibility for the data in Virginia Performs, no one has responsibility for implementing controls over the data, and providing oversight to increase the reliability of information in Virginia Performs. Previous audit reports have discussed deficiencies of Virginia Performs data and we again note many of the deficiencies in this report. Virginia Performs should provide accurate and reliable information for decision making; however deficiencies noted in Virginia Performs data can affect the data's usefulness.

Agencies must strengthen controls over data reported on Virginia Performs to ensure data is complete, accurate, reasonable, and understandable. Inaccurate information can affect the usefulness of the information for the user. Agencies should develop and document internal control procedures to provide guidance to those who have responsibility for preparing and reviewing the performance measure data. Strengthened controls should include a supervisory review, which will help ensure that information is accurate and reasonable.

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REVIEW OF AGENCY PERFORMANCE MEASURES

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.

The current performance management system has components for strategic planning, performance measurement, program evaluation and performance budgeting. Together, these components should provide information to manage strategy and improve and communicate the results of government services. Section 2.2-1501 of the Code of Virginia requires 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.

The 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 observations made during the course of our work and best practices for reporting and communicating performance information.

Background Information

Performance management provides tools and information to help policy and decision-makers, the general public, and state employees evaluate the results of government services. An effective performance management system has four linked processes: strategic planning, performance measurement, program evaluation, and performance budgeting. The Commonwealth first implemented a performance management system in the mid 1990's and the effort has continued to evolve.

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 and implemented the Virginia Results 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 to guide Planning and Budget in aligning strategic plans and performance measures to the vision. 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 included a new service area structure and performance measures.

In conjunction with this effort, the Council and Planning and Budget launched the Virginia Performs website in January 2007, which replaced Virginia Results. Virginia Performs provides performance management information about state agencies and programs, but does not include performance information for colleges and universities. The State Council on Higher Education is responsible for performance information for colleges and universities. Planning and Budget has the following statutory requirements related to Virginia Performs from Section 2.2-1500 of the Code of Virginia.

11. (Effective until July 1, 2008) 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.

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 the responsibility for maintenance of the Virginia Performs website, which includes controlling access to the website and tasks related to keeping the website up and running. Planning and Budget also has responsibility for developing instructions for updating performance measure data and training agencies on the various elements of Virginia Performs; however they have no authority to enforce their guidance. The fiscal year 2007 instructions did not list the required fields that agencies must complete; however, Planning and Budget has built edit checks into Virginia Performs which requires certain information before data can be submitted to Planning and Budget for review.

Planning and Budget does not take responsibility for any of the information agencies report on Virginia Performs; however Planning and Budget analysts must review performance measure data prior to its publication on the website. According to Planning and Budget, each individual agency's management has responsibility and ownership for the accuracy and completeness of the information reported, as data posted on the website.

Planning and Budget primarily provides technical support, instructions for updating performance measures, and in August of 2007, they provided an overview and training for agencies submitting Virginia Performs information. 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, 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 related to the importance of agencies implementing and documenting internal controls over Virginia Performs data. While performance measure data and internal controls are the ultimate responsibility of the agency, they have not received guidance on internal control procedures as it relates to performance measure data. No one has the responsibility of providing internal control guidance or oversight to increase the reliability of information in Virginia Performs. Previous audit reports have discussed deficiencies of Virginia Performs data and we again note deficiencies in this report. Virginia Performs should provide accurate and reliable information for decision making; however deficiencies noted in Virginia Performs data can affect the data's usefulness.

As stated in the Code of Virginia, Planning and Budget is not only responsible for developing a portal to report performance measures to the citizens and public officials, but they are also responsible for ensuring that information generated is useful for managing and improving the efficiency and effectiveness of state government operations.

Recommendation #1

Although, agencies have ultimate responsibility for the data in Virginia Performs, no one has responsibility for implementing controls over the data, and providing oversight to increase the reliability of information in Virginia Performs.

Previous audit reports have discussed deficiencies of Virginia Performs data and we again note many of the deficiencies in this report. Virginia Performs should provide accurate and reliable information for decision making; however deficiencies noted in Virginia Performs data can affect the data's usefulness.

Scope and Method of Review

The scope of our review consisted of two main components. The first component focused on reviewing the current performance measures and budget structure to determine if there is a clear link between the two. The second component was reviewing performance measure information on Virginia Performs for accuracy, reasonableness, understandability, and completeness and is consistent with the previous year's reported results.

Transparency of Performance Measures and the Budget Structure

Budget Transparency is the concept of an average citizen being able to review the budget document and financial reports, and understand where the government's funding comes from, how the government spent the funds; and what the government achieved with those funds. Many governmental programs and activities involve complex financial transactions; multiple levels of government: federal, state and local; and some programs have multi-year objectives and timeframes, such as the construction of highways.

The modern concept of budget transparency envisions allowing an informed citizen, who has fundamental knowledge of a program, its funding, the anticipated performance results, and some of the complexities of government to understand the state's priorities and how funds are spent. Further, this modern concept of budget transparency anticipates that the government will attempt to make the information available and understandable and the performance measures will directly reflect the government's use of resources.

Budget Transparency is a part of government's accountability to the public and legislative body on how the government manages resources. Performance measures are a component of the accountability and should reflect the combined consent of public, legislative, and executive branches on what the government seeks to achieve with committing resources to particular program.

Isolating programs and their resources are the only way to relate the use of resources with measuring performance. Although financial resources are only one of the performance measure inputs, it is not possible to compare the cost of a program's achievement to a performance measure, without separating the cost of only that performance measure. Governments must isolate performance measure costs from other costs or it will either over or under report the resources necessary to achieve the measure.

Effective for the 2007-2008 biennium, the Governor directed the replacement of the prior programmatic budget structure with the program/service area budget structure. With this new structure, each service area must have a minimum of one performance measure. The main purpose of this

reorganization was the integration of performance measures into the budget process by linking the two systems. One of the goals for linking the two systems would allow the public and legislators to have access to information on how a program was performing, in addition to the dollars and human resources used to achieve those results.

To evaluate the transparency between the current performance measure and budget structure, we reviewed fifteen agencies to evaluate the relationship between service areas, service area functions, the corresponding performance measures, and budget. As a part of this process, we identified the agencies' service areas and utilized the service area strategic plans to identify the service area functions. Agencies then indicated which of their existing performance measures were associated with an identified function.

Currently, each service area function is not required to have a corresponding performance measure, thus it is difficult to measure the progress of each service area function. In addition, the current budget structure does not provide agencies the ability to budget at such a detailed level, thus it is impossible to determine how much of the agency's service area appropriation is being utilized to accomplish each function. During this process it was determined that of the 15 agencies reviewed, nine agencies had service area functions without a performance measure. The table below shows the number of service areas, service area functions for each agency, and the number of service area functions without a performance measure.

Agency	Number of Service Areas	Number of Service Area Functions	Number of Service Area Functions without a Performance Measure
Board of Elections	8	10	1
Criminal Justice Services	7	23	15
Treasury	7	51	44
Education	18	19	0
Health Professions	2	8	3
Business Assistance	5	6	0
Jamestown 2007	1	2	0
Professional Occupation and Regulation	3	6	1
Fire Programs	9	29	6
Labor and Industry	6	39	0
Correctional Education	6	31	18
Human Resource Management	7	29	9
Retirement System	3	10	0
Motor Vehicles	11	16	1
Conservation and Recreation	11	14	0

We also evaluated the linkage between the fiscal year 2007 service area appropriations and the service area's performance measure(s). During our review of service area appropriations and performance measures, we determined that fourteen agencies' service area appropriations and performance measures had no linkage. Thus, the average citizen could not review the service area appropriation and determine how much of the appropriation relates to the corresponding performance measure.

In the instance where an agency has only one performance measure for a service area, the transparency between the service area appropriation and the performance measure appears readily identifiable. However, when an agency has more than one performance measure tracking the progress of

a service area, the transparency between the service area appropriation and the performance measure is difficult to evaluate. In some instances, the single performance measure for a service area may represent only a portion of the activities of the service area.

The table below shows the number of services areas and the number of performance measures for the agencies reviewed.

Agency	Number of Service Areas	Number of Performance Measures
Board of Elections	8	10
Criminal Justice Services	7	8
Treasury	7	7
Education	18	27
Health Professions	2	14
Business Assistance	5	13
Jamestown 2007	1	5
Professional Occupation and Regulation	3	8
Fire Programs	9	10
Labor and Industry	6	12
Correctional Education	6	21
Human Resource Management	7	19
Retirement System	3	22
Motor Vehicles	11	21
Conservation and Recreation	11	22

Transparency allows average citizens the ability to search the state budget service areas and clearly identify tax dollars spent for individual programs, including payroll, materials, and other payments to vendors. It also allows the average citizen the ability to easily evaluate the relationship between service areas, performance measures, and the budget. Therefore, it is important for the Governor and Planning and Budget to address budget and performance measure transparency issues.

Providing a clear linkage will enhance the average citizen's ability to understand the relationship between service areas, the budget, resource usage, and the measures in place monitoring service area progress. The Governor and Planning and Budget are developing a request for proposal for a new performance budgeting system for budget development activities and should consider these issues as they move forward with this initiative.

Review of Key and Non-key Performance Measures

Agencies must report performance measure information on Virginia Performs quarterly or annually, depending on the reporting frequency of the measure. Each measure on Virginia Performs includes the following elements which we will refer to throughout the report using *italics*. A brief description of each element is included in the table below to aid the reader in understanding the results of our review.

Name of Element	Description of the Element
<i>2007 Results</i>	Indicates the performance measure results for fiscal year 2007.
<i>Measure methodology</i>	Explains how agencies determine the results, including the source of the data.
<i>Target data</i>	Level of performance the agency is striving to achieve.
<i>Target date</i>	Expected date that the agency will achieve the target value.
<i>Measure type</i>	Indicates whether the measure is an input measure, output measure, or outcome measure.
<i>Measure frequency</i>	Indicates how often the agency will report the measure results.
<i>Preferred trend</i>	Indicates which direction the measure results should be trending.
<i>Key measures</i>	Indicates if the measure is one of the Governor's key performance measures.
<i>Explanatory information</i>	Indicates reasons for blank fields, explains large variations in data, and includes additional information the agency would like to report.
<i>Historical data</i>	Reports measure results for previous reporting periods.
<i>Baseline</i>	Indicates a starting point for which the agency is trying to improve.

We obtained a copy of the Virginia Performs database from Planning and Budget as of January 31, 2008. The database duplicates information presented on the Virginia Performs website and was the basis of our work. The database contained over 1,400 performance measures for executive and independent branch agencies. We selected a sample of 44 key and non-key performance measures to review for accuracy, reasonableness, and understandability. In conducting our review, we used guidance provided by Planning and Budget to evaluate the measures. Below, we discuss our specific approach and results of our review for each of the data elements.

Our review assessed the accuracy of information for the following data elements: *2007 results*, *measure type*, *key measure*, and *preferred trend*. We reviewed supporting documentation and utilized the *measure methodology*, where feasible, to recalculate performance measure results and determine the accuracy of the *2007 results*. When evaluating *measure type* and *preferred trend*, we reviewed the performance measure to determine if agencies accurately identified the data elements. We also evaluated if the agency accurately identified the performance measure as a *key measure* on the website.

As a result of our review we found ten instances where data reported was inaccurate. The agencies and corresponding measures found to have inaccurate data are listed below:

Agency	Measure	Explanation for Exception
Department of Education	Percentage of school divisions offering GED testing.	Fiscal year 07 results were not updated
	Percentage of special education students who pass SOL tests.	Fiscal year 07 results were not updated
Department of Business Assistance	Number of business establishments in the Commonwealth.	Fiscal year 07 results were a carry forward of old measure results
	Percent of state contract dollars awarded by all state agencies to small, women, and minority (SWaM) businesses.	Inaccurate results reported for fiscal year 07
State Board of Elections	We will increase voter registration in state general elections.	Fiscal year 07 results were not updated
Department of Health Professions	We will process applications for licensure within 30 days of receipt of a completed application.	Inaccurate results reported for 2007 based on established calculation methodology
Department of Criminal Justice Services	We will review quarterly grant reports by agency grant monitors to review progress by grantees toward meeting grant goals.	Quarters 1 and 2 inaccurate due to lack of supporting documentation
	On-site and other types of monitoring (e.g. via telephone or in meetings with groups of grant recipients).	Fiscal year 07 results deemed inaccurate due to a lack of supporting documentation
Department of Correctional Education	The number of Industry-Based Certification programs for adult construction trade areas.	Inaccurate results reported for fiscal year 07
Department of Aging	The number of area agencies on Aging business processes incorporated in the No Wrong Door initiative.	Inaccurate results reported for fiscal year 07

Our review assessed the reasonableness of information for the following data elements: *target data*, *target date*, *baseline*, *historical data* and *measure frequency*. When evaluating the reasonableness of the *target data*, *target date*, *baseline* and *measure frequency data fields*, we contacted agencies to gain an understanding of how the agencies determined the information in the data fields. Based on the information provided by the agency, we assessed the reasonableness of the data fields. We evaluated *historical data* using the information on the Virginia Performs website and guidance from Planning and Budget. Planning and Budget instructed agencies to provide historical data for performance measures that were not new and included in the agencies' strategic and service area plans.

As a result of our review we found two instances where data reported was not reasonable. The agencies and corresponding measures found to have unreasonable data are listed below:

Target Data

Agency	Measure	Explanation for Exception
State Board of Elections	We will support improving voter participation in state Elections.	Target data not reasonable based on historical data and preferred trend

Frequency of Measure

Agency	Measure	Explanation for Exception
Department of Business Assistance	Public and private capital investment by businesses receiving loans from the Virginia Small Business Financing Authority.	Fiscal year 07 results reported annually rather than quarterly as identified by the agency

Our review assessed the understandability of the *measure methodology* data element. In reviewing *measure methodology*, we evaluated whether the average citizen could easily understand the measure. We also assessed if the agency followed the guidelines provided by Planning and Budget in developing their *measure methodology*. Planning and Budget instructed the agencies to specifically explain how they reported data values and show source of the information.

As a result of our review we found five instances where data reported was not understandable. The agencies and corresponding measures found to have measure methodologies that are not understandable are listed below:

Measure Methodology

Agency	Measure	Explanation for Exception
Department of Education	Percent of students enrolled in one or more AP, IB, or dual enrollment courses.	Measure methodology does not explain how the measure was calculated
Department of Criminal Justice Services	We will review quarterly grant reports by agency grant monitors to review progress by grantees toward meeting grant goals.	Measure methodology does not explain how the measure was calculated
Department of Criminal Justice Services	On-site and other types of monitoring (e.g. via telephone or in meetings with groups of grant recipients).	Measure methodology does not explain how the measure results will be determine
Department of Correctional Education	The state passing rate for students enrolled in the GED program.	Measure methodology does not explain how the measure was calculated
Department of Labor and Industry	Percentage of contractors inspected each year.	Measure methodology does not explain how the measure was calculated

Results of Agency Internal Control Review

In addition to assessing the accuracy, reasonableness, and understandability of performance measure data, we also evaluated agencies' internal controls over data reported on Virginia Performs. Consequently, we found instances where internal controls over compiling, reporting, and verifying performance measure data were insufficient. While some agencies had sufficient internal controls, they lacked documented procedures. Documented procedures are important for the continuity of agency operations. We also determined that some of the agencies reviewed had a lack of supervisory review of the results reported on Virginia Performs or lacked separation of duties when compiling, reporting, and verifying performance measure data. The following table summarizes the results of our agency internal control review. Agencies listed below have insufficient internal controls and lack documented procedures unless otherwise noted.

Agency Names

Department of Aging	Department of Education**	Department of Human Resource Management	Department of Labor & Industry
Department of Business Assistance Services	Department of Criminal Justice Services	Department of Housing and Community Development	Jamestown 2007*
Department of Conservation and Recreation**	Department of Correctional Education	Department of Professional and Occupational Regulation	State Board of Elections
Department of Fire Programs***	Department of Health Professions	Department of Motor Vehicles*	Virginia Department of Transportation
Department of the Treasury**			

Note: Virginia Retirement System was reviewed, but participation in Virginia Performs is voluntary.

Therefore, we do not conclude on the adequacy of their internal controls.

** Sufficient internal controls, but lacked documented procedures.*

***Sufficient internal controls. Prior to report issuance the agency provided documented procedures or documented procedures were in draft form.*

****Documented procedures, but insufficient internal controls.*

As a result of internal control deficiencies and issues noted over the accuracy, reasonableness, and understandability of performance measure data reported, the following is recommended.

Recommendation #2

We recommend that agencies strengthen controls over data reported on Virginia Performs to ensure data is complete, accurate, reasonable and understandable. Inaccurate information can affect the usefulness of the information for the user. Agencies should develop and document internal control procedures to provide guidance to those who have responsibility for preparing and reviewing the performance measure data. Strengthened controls should include a supervisory review, which will help ensure that information is accurate and reasonable.

Results of Completeness Review

We also evaluated the completeness of information on the Virginia Performs database as of January 31, 2008. We reviewed the following data elements to determine if agencies had updated their 2007 performance measure data on the Virginia Performs website.

- *2007 results*
- *Target data*
- *Target date*
- *Measure type*
- *Measure frequency*
- *Measure methodology*
- *Preferred trend*
- *Key measures*
- *Historical data*
- *Baseline*

Overall, our review assessed that 14 out of the 1,470 (.09 percent) performance measures within the Virginia Performs database had incomplete data element fields. When compared to fiscal year 2006, there was significant improvement in the completeness of data on Virginia Performs. In the prior year, we identified 46 percent of the performance measures as having incomplete data element fields as compared to .09 percent for the current year.

We determined the incomplete data elements were a result of performance measures that remained from the Virginia Results system. Those performance measures were inactive; therefore they were not on the Virginia Performs website. In addition, other incomplete data fields resulted from outdated performance measures that agencies are no longer reporting, thus the agency should have deleted the performance measure from Virginia Performs.

As a result of our review of the completeness of information included in Virginia Performs, we found the following data element fields to have incomplete data. In some instances, one performance measure had multiple incomplete data fields. For purposes of this table, each data field was evaluated separately.

Data Elements	Number of Performance Measures with Incomplete Data Elements
<i>2007 Performance Measure Results</i>	3
<i>Target data</i>	2
<i>Target date</i>	2
<i>Preferred trend</i>	4
<i>Baseline</i>	3



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 20, 2008

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 completed our annual review of the Commonwealth's performance measures and are pleased to submit our report entitled "**Review of Agency Performance Measures**". The Department of Planning and Budget maintains and reports these measures on the Virginia Performs website and the agencies retain ownership of the performance measure data. 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.

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 that we review the accuracy of the management systems used to accumulate and report the results and make recommendations for new or revised performance measures.

Our objectives in reviewing the performance measures information were to:

- Determine whether Planning and Budget and state agencies are in conformance with the Virginia Code sections applicable to the state's performance measurement system;
- Determine whether the 2007 performance information is complete for all measures;
- Determine whether 2007 performance measure information is reasonable, accurate, and understandable;
- Determine the transparency of agency service areas, performance measures, and the budget;
- Determine whether Planning and Budget and agency internal control processes and procedures are adequate to ensure data integrity;

- Determine the status of prior year recommendation; and
- Make recommendations to improve the usefulness of the performance measures reported and the new performance management system.

Scope and Methodology

Our review of agency performance measures included executive branch and independent agency performance measures reported and published by Planning and Budget on the Virginia Performs website. Our review consisted of evaluating the key and non-key measures identified by those agencies. We did not include higher education performance measures, which are the responsibility of the State Council of Higher Education.

Our work included reviewing the performance measures reported in the Virginia Performs database for completeness. In addition, we selected a sample of 44 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 also reviewed the information system controls over access to the Virginia Performs website. Lastly, the transparent linkage between service areas, performance measures, and the budget structure was evaluated.

Results of Review

Our review found that agencies need to improve controls to ensure that information reported on Virginia Performs is accurate, reasonable, and understandable. Additionally, our review of internal controls at Planning and Budget continues to indicate a need for stronger oversight, while our review of agency internal controls indicates a need for agencies to implement and document controls to ensure the reliability of information reported on Virginia Performs.

Our review of performance measure completeness within the Virginia Performs database showed significant improvement in comparison to the fiscal year 2006 review. Though a percentage of incomplete performance measure data elements were identified, it was a vast improvement over the completeness deficiencies found during the previous fiscal year.

Lastly, our review of the transparent linkage of the Commonwealth's performance measure and service area budget structure indicates that the Governor and Planning and Budget need to address budget transparency issues.

Exit Conference and Report Distribution

We discussed this report with Planning and Budget management on May 20, 2008. Management's response has been included at the end of this report.

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.

AUDITOR OF PUBLIC ACCOUNTS

STT:clj



COMMONWEALTH of VIRGINIA
Department of Planning and Budget

Richard D. Brown
Director

1111 E. Broad St., Room 5040
Richmond, VA. 23219

May 28, 2008

Mr. Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

Thank you for the opportunity to comment on the Auditor of Public Accounts' (APA) 2007 audit of information contained on the Virginia Performs website.

Virginia has come a long way in its performance measures system, to the point where the agency key measures are aligned with broad performance goals of the Commonwealth and where performance measures are linked to the budget process. Governor Kaine places great emphasis on costs and results when he is making decisions on what to include in his executive budget. Performance management is one of the top priorities of the Governor.

As evidence of our effective use of performance measures, Virginia has again been named a Top Performance State by Governing Magazine and the Pew Center on the States Government Performance Project (GPP). The GPP evaluates how well states manage people, money, information, and infrastructure -- and Virginia's grade of A on information puts it at the top for the second time in a row. The GPP report specifically cites Virginia Performs as one of the performance measurement tools key to keeping the Commonwealth a leader among states. The study commends the Commonwealth for avoiding simple formulas and focusing instead on the harder work of asking why goals and targets are not being met.

The Department of Planning and Budget (DPB) believes that the integrity and accuracy of data posted on Virginia Performs is absolutely essential. DPB has worked with agencies over the past year to reduce the percentage of incomplete measures down to 0.95 percent (14 out of 1,470 measures). However, it must be noted that DPB does not "own" this data -- agencies do.

Mr. Walter J. Kucharski
May 28, 2008
Page Two

DPB provides guidance to agencies on the current standards for performance management and reporting, but DPB has no control over the agency's data or the internal controls agencies put into place to ensure the accuracy of such data. Accordingly, DPB is pleased to learn that the APA will address issues with agency performance measures in individual agency audits. This should increase the accuracy of agency data on Virginia Performs.

Thank you again for allowing DPB to comment on the progress Virginia is making in implementing and improving upon its performance measure system. DPB will continue to strive to make performance management an integral part of the budget process.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard D. Brown".

Richard D. Brown

c: The Honorable Jody M. Wagner
Paul D. Bender
Donald D. Darr

