



TEXAS LOTTERY COMMISSION

Internal Audit Services

AN INTERNAL AUDIT OF

AGENCY-WIDE PERFORMANCE MEASURES

Report No. 22-005

April 29, 2022



McConnell Jones
Diverse Thinking | Unique Perspectives

This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.

Why Was This Review Conducted?

McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit), performed this internal audit as part of the approved FY 2022 Annual Internal Audit Plan.

Audit Objectives and Scope

The purpose of this audit was to review business processes and internal controls related to the Texas Lottery Commission's entity-wide performance measures reported to the state through the Automated Budget and Evaluation System of Texas (ABEST), operating budgets, and Legislative Appropriations Requests (LAR).

The objectives of the audit were to:

1. Determine whether TLC has adequate controls over the collection, calculation, review, document retention and internal reporting of its performance measures.
2. Determine whether TLC is accurately reporting its performance measures to the ABEST System, operating budgets, and Legislative Appropriations Requests (LAR).

The audit scope period was FY2020-21 through 1st Quarter FY2021-22.

Audit Focus

1. Compliance with the stated definition.
2. Information capture process.
3. Results validation process.
4. Reporting process.



We wish to thank all employees for their openness and cooperation. Without this, we would not have been able to complete our review.

Audit Conclusions

Overall, Texas Lottery Commission's business processes and internal controls related to its entity-wide performance measures reported to the state through the ABEST, operating budget and LAR provide for accurate and timely reporting. We noted that both the Lottery Operations Division and the Charitable Bingo Operations Division implemented corrective actions identified in the 2017 internal audit report on agency-wide performance measures.

We did identify an instance where a Charitable Bingo Operations Division performance measure was inaccurately calculated and subsequently reported due to manual process not catching duplicate entries.

Internal Control Rating

Lottery Operations – Best Practices Processes Generally Effective Controls.
Charitable Bingo Operations Division - Generally Effective.

What Did We recommend?

1. We recommend the Charitable Bingo Operations Division (CBOD) continue to work with Information Resources to develop relevant reports to support accurate performance measure reporting.

Number of Findings by Risk Rating

	High	Medium	Low	Total
Lottery Operations	0	0	0	0
CBOD	1	0	0	1

Introduction



McConnell & Jones LLP (MJ) performed an internal audit of the Agency-Wide Performance Measures.

We performed this audit as part of the approved FY 2022 Annual Internal Audit Plan. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 accomplishes that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

Objective, Conclusion, and Internal Control Rating



This audit identified findings that resulted in an overall internal control rating of **Best Practices for Lottery Operations** and **Generally Effective for CBOD**. **Exhibit 1** describes the internal control rating.

The purpose of this audit was to assess management's controls and business processes in place to ensure that performance measures reported to the Legislative Budget Board (LBB) were accurate and timely.

As such we focused on the following processes:

1. Compliance with the stated definition.
2. Information capture process.
3. Results validation process.
4. Reporting process.

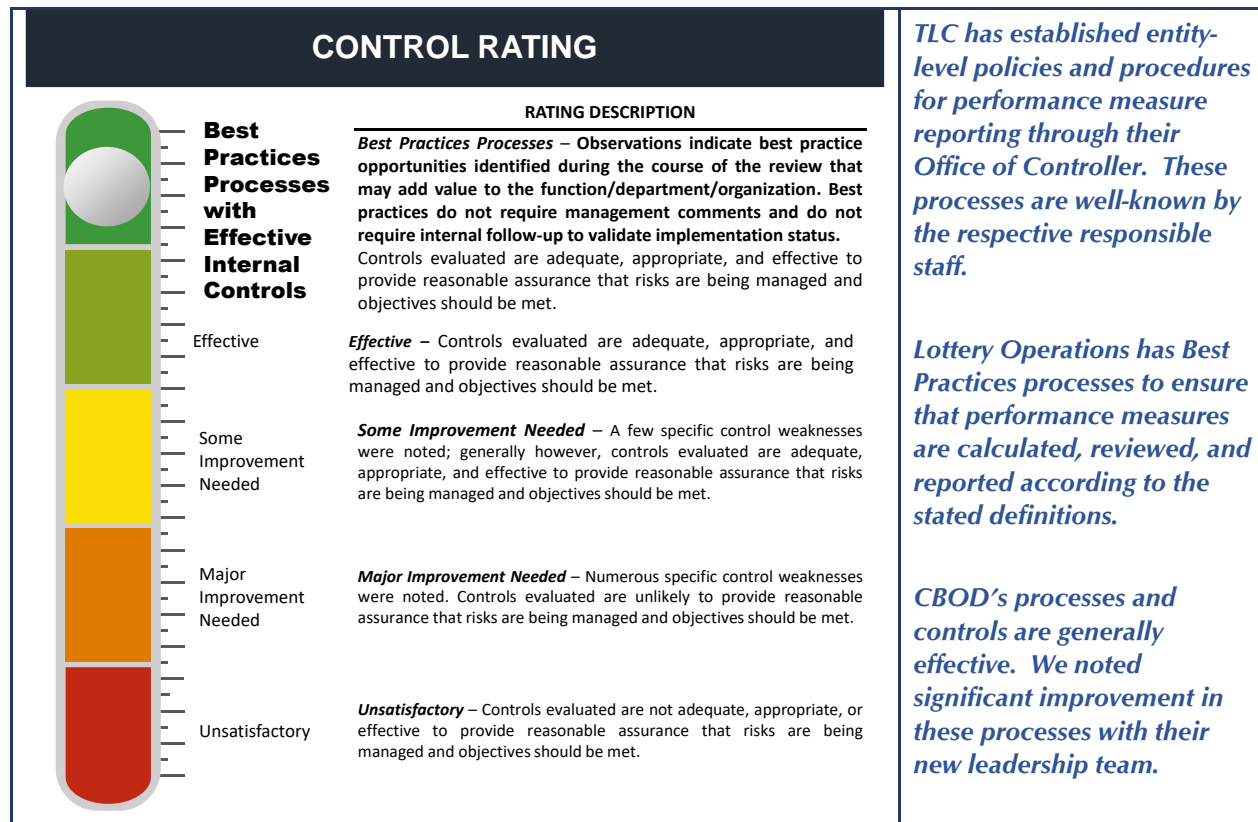


Exhibit 1: Internal control rating description.

Commendations

CBOD experienced changes in leadership during our audit scope. CBOD leadership made noticeable changes to the division's processes by developing detailed policies and procedures to support CBOD's performance measures, which was evident in the improved certification status across the quarters.

Performance Measure Conclusion



Exhibit 2 provides a summary of our conclusion for each performance measure we reviewed. See the detailed findings section of this report for a discussion of identified issues, recommendations and management responses.

The State Auditor's Office – Guide to Performance Measures (SAO) outlines procedures to auditing agency performance measures. We used the guide as criteria to audit TLC's performance measures. According to the SAO, measures are designated as either "certified," "certified with qualification," "factors prevented certification," or "inaccurate." These categories are assigned based on a combination of the adequacy of the controls over a respective performance measure and the results of testing a sample of source documents. A performance measure result is considered reliable if it is certified or certified with qualification. The following are explanations for the four certification categories:

Status	Description
Certified	1. The reported performance is accurate within five (5) percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.
Certified with Qualification	1. The reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. 2. Controls are strong but source documentation is unavailable for testing. 3. The agency calculation of performance deviated from the measure definition, but the deviation caused less than a five (5) percent difference between the number reported to ABEST and the correct performance measure result.
Inaccurate	1. The actual performance is five (5) percent or greater than the reported performance, or when there is a five (5) percent or greater error rate in the sample of documentation tested. 2. The agency's calculation deviated from the measure definition and caused a five (5) percent or greater difference between the number reported to ABEST and the correct performance measure result.
Factors Prevented Certification	1. Documentation is unavailable and controls are not adequate to ensure accuracy. 2. There is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

We applied the SAO's criteria to determine what each performance measure's certification result would be if the SAO performed this audit. **Exhibit 2** provides our conclusion. Of the 12 performance measures we recalculated, all except one received a "certified" rating.

No.	Measure Type	Key or Non-Key	Performance Measure	Description	Certification
1.1.1	Outcome	Key	Percent of Retailers Satisfied with Lottery Commission	This performance measure is intended to determine whether the Texas Lottery Commission is providing adequate service to retailers.	Certified
1.1.1.1	Output	Key	Number of Retailer Business Locations Licensed	This measure reports the number of retailer business locations licensed and active at the end of each quarter. A licensed retailer is an active location approved to sell tickets and is in good financial standing with the Lottery Commission.	Certified

No.	Measure Type	Key or Non-Key	Performance Measure	Description	Certification
1.1.3.1	Efficiency	Key	Average Cost Per Survey Issued	This performance measure provides the cost incurred in producing, distributing, and analyzing surveys to Lottery retailers.	Certified
1.1.6	Outcome	Key	State Revenue Received Per Dollar Expended on Lottery Games Promotion	This measure reflects the annual accrued transfers to the State of Texas from all Lottery proceeds (including unspent administrative funds and unclaimed prizes) compared to the annual accrued amount of dollars expended on lottery games promotion.	Certified
1.1.8.1	Output	Key	Billboard Expenditures from Promote Lottery Games Appropriation (Millions)	This performance measure shows the number of dollars the Texas Lottery Commission spends on the promotion of lottery games for billboard media and production across the state of Texas.	Certified
1.1.8.2	Output	Key	Other Promotion Expenditures from Promote Lottery Games Appropriation (Millions)	This performance measure shows the number of dollars the Texas Lottery Commission spends on the promotion of lottery games in the following categories: media and production, radio, digital, social, experiential, print and television. This measure does not include billboard media and production costs.	Certified
2.1.1.1	Output	Key	Number of Licenses Issued	This measure reports the number of licenses issued to manufacturers, distributors, lessors and conductors of Bingo operations for a Charitable Bingo activity in this state.	Certified ¹
2.1.3	Outcome	Key	Percent of Complaints Referred for Disciplinary Action	This measure reports the percentage of complaints referred for disciplinary action to the total number of complaints completed for the fiscal year.	Certified
2.1.3.3	Output	Key	Number of Bingo Complaint Investigations Completed	This measure reports the number of Bingo complaint investigations completed by the Charitable Bingo Operations Division and the Enforcement Division during the reporting period.	Certified ¹
2.1.4.2	Output	Key	Number of Bingo Reports Processed	This measure reports the number of Bingo quarterly reports processed. Data includes all quarterly reports and any estimated, amended or adjusted reports for the quarter.	Certified
2.1.5	Outcome	Key	Net Bingo Games Revenue Received by	This measure captures the amount of dollars (expressed in millions) reported as distributed by licensed conductors of	Certified

¹ We were able to certify the performance measure with current procedures in place covering FY2021 Quarter 4 and FY2022 Quarter 1. For FY21 quarters 1-3, we categorized the measure as “Factors Prevented Certification” due to lack of available data to support the performance measure calculation.

No.	Measure Type	Key or Non-Key	Performance Measure	Description	Certification
			Charitable Organizations (Millions)	bingo games from their bingo bank account for charitable purposes during a reporting period.	
2.1.6	Outcome	Key	Percentage of Organizations Who Met the Statutory Charitable Distribution Requirement	This measure reports the percentage of licensed authorized organizations who met their required charitable distribution.	Factors Prevented Certification ²
1.1.1.3	Output	Non-Key	Dollars Collected Via the Debt Set-off Program (Thousands)	This measure reports the amount of money collected for the state of Texas via the Texas Lottery prize payment debt set-off program. The Texas Lottery is required by statute to withhold from prize payments certain monies owed to the State by prize winners.	Certified
1.1.7	Outcome	Non-Key	Percent of Licensees with No Recent Violations	This measure reports the percent of currently licensed and active lottery retailer locations that have not incurred a violation within the current fiscal year. A violation is defined as any violation of the State Lottery Act or Lottery Rules by a lottery retailer that results in the suspension or revocation of the retailer's license.	Certified
2.1.2.1	Output	Non-Key	Number of Individuals Receiving Education	This measure reports the number of individuals who completed the Bingo Training Program in person, via video, website, or other interactive modes.	Certified ¹
1.1.4.1	Efficiency	Non-Key	Average Time to Complete Investigations (Days)	This measure reports the average time for each Lottery investigation to be completed by the Enforcement Division.	Certified
1.1.4.3	Output	Non-Key	Number of Lottery Background Investigations Completed	This measure reports the number of lottery background investigations completed by the Enforcement Division. Lottery background investigations include investigations on lottery retailers, lottery vendors, lottery operator employees, potential commission employees and/or other individuals as assigned. Lottery background investigations are conducted in order to determine the eligibility requirements of the requested party.	Certified
1.1.5	Outcome	Non-Key	Ratio of Promotion Expense to Net Lottery Sales	This measure reflects the amount spent on promoting Lottery Games (including point-of-sale materials, electronic and print media, and experiential promotions) compared to the annual	Certified

² The reported performance measure was inaccurate because duplicates were not removed prior to calculation.

No.	Measure Type	Key or Non-Key	Performance Measure	Description	Certification
				net sale of Lottery tickets, which is adjusted for returned tickets, stolen tickets, ticket corrections and promotional ticket credits.	

Exhibit 2: Performance Measure Certification Rating.

Performance Measure Internal Control Summary Results

We assessed management controls and processes in place for the following business objectives related to agency-wide performance measures:

- ✓ To design and implement processes and controls for data collection, data entry, calculations, and reporting.
- ✓ To design and implement processes and controls to ensure performance measure definitions reflect current information systems, data sources, and calculation processes.
- ✓ To design and implement processes and controls to facilitate performance measure consistency and compliance through comprehensive written procedures.
- ✓ To design and implement processes and controls to ensure performance measures are calculated according to the methodology stated in the performance measure definition.
- ✓ To design and implement processes and controls to maintain adequate source documentation to corroborate reported information.

Control Tests Performed

- ✓ Reviewed controls over data input, processing and review for data collection, calculation, and reporting processes.
- ✓ Verified the current information systems used, data sources and calculation methods agree to the respective performance measure definition.
- ✓ Reviewed written procedures for timely updates and comprehensiveness.
- ✓ Conducted walkthroughs of calculation processes with responsible staff and recalculated each reported performance measure.
- ✓ Obtained source documentation and/or system reports used to support the reported information. Performed recalculations as necessary.

Exhibit 3 provides our internal control conclusion for each business objective for the respective performance measure. Controls for all the performance measures we audited were “generally effective” except Percentage of Organizations Who Met the Statutory Charitable Distribution Requirement. Our internal control ratings are based on the following scale. Note that processes can be “best practices” but internal controls are based upon “effectiveness”.

Internal Control Rating	Description
Generally Effective	<ul style="list-style-type: none"> • No findings noted. • Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. • Management’s control environment appears sound. • All high level risks are adequately controlled.

Internal Control Rating	Description
Some Improvement Needed	<ul style="list-style-type: none"> Control environment is adequate but some exceptions exist. A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. All high level risks are adequately controlled.
Major Improvement Needed	<ul style="list-style-type: none"> Control environment is not adequate and/or significant exceptions exist. Some high-level risks are not adequately controlled. Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. Significant exposure to inaccurate reporting, fraud, or security vulnerabilities.
Unsatisfactory	<ul style="list-style-type: none"> Control environment is not adequate and below standard. Requires Leadership's immediate attention. Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met. Management control environment is considered unsound.

Performance Measure	Business Objective 1 To design and implement processes and controls for data collection, data entry, calculations, and reporting.	Business Objective 2 To design and implement processes and controls to ensure performance measure definitions reflect current information systems, data sources, and calculation processes.	Business Objective 3 To design and implement processes and controls to facilitate performance measure consistency and compliance through comprehensive written procedures.	Business Objective 4 To design and implement processes and controls to ensure performance measures are calculated according to the methodology stated in the performance measure definition.	Business Objective 5 To design and implement processes and controls to maintain adequate source documentation to corroborate reported information.
Key Outcome 1.1.1 Percent of Retailers Satisfied with Lottery Commission	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Output 1.1.1.1 Number of Retailer Business Locations Licensed	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective

Performance Measure	Business Objective 1 To design and implement processes and controls for data collection, data entry, calculations, and reporting.	Business Objective 2 To design and implement processes and controls to ensure performance measure definitions reflect current information systems, data sources, and calculation processes.	Business Objective 3 To design and implement processes and controls to facilitate performance measure consistency and compliance through comprehensive written procedures.	Business Objective 4 To design and implement processes and controls to ensure performance measures are calculated according to the methodology stated in the performance measure definition.	Business Objective 5 To design and implement processes and controls to maintain adequate source documentation to corroborate reported information.
Key Efficiency 1.1.3.1 Average Cost Per Survey Issued	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Outcome 1.1.6 State Revenue Received Per Dollar Expended on Lottery Games Promotion	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Output 1.1.8.1 Billboard Expenditures from Promote Lottery Games Appropriation (Millions)	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Output 1.1.8.2 Other Promotion Expenditures from Promote Lottery Games Appropriation (Millions)	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Output 2.1.1.1 Number of Licenses Issued	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Outcome 2.1.3	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective

Performance Measure	Business Objective 1 To design and implement processes and controls for data collection, data entry, calculations, and reporting.	Business Objective 2 To design and implement processes and controls to ensure performance measure definitions reflect current information systems, data sources, and calculation processes.	Business Objective 3 To design and implement processes and controls to facilitate performance measure consistency and compliance through comprehensive written procedures.	Business Objective 4 To design and implement processes and controls to ensure performance measures are calculated according to the methodology stated in the performance measure definition.	Business Objective 5 To design and implement processes and controls to maintain adequate source documentation to corroborate reported information.
Percent of Complaints Referred for Disciplinary Action					
Key Output 2.1.3.3 Number of Bingo Complaint Investigations Completed	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Output 2.1.4.2 Number of Bingo Reports Processed	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Outcome 2.1.5 Net Bingo Games Revenue Received by Charitable Organizations (Millions)	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Key Outcome 2.1.6 Percentage of Organizations Who Met the Statutory Charitable Distribution Requirement	Generally effective	Some Improvement Needed (See Finding #1)	Some Improvement Needed (See Finding #1)	Some Improvement Needed (See Finding #1)	Generally effective

Performance Measure	Business Objective 1 To design and implement processes and controls for data collection, data entry, calculations, and reporting.	Business Objective 2 To design and implement processes and controls to ensure performance measure definitions reflect current information systems, data sources, and calculation processes.	Business Objective 3 To design and implement processes and controls to facilitate performance measure consistency and compliance through comprehensive written procedures.	Business Objective 4 To design and implement processes and controls to ensure performance measures are calculated according to the methodology stated in the performance measure definition.	Business Objective 5 To design and implement processes and controls to maintain adequate source documentation to corroborate reported information.
Non-Key Output 1.1.1.3 Dollars Collected Via the Debt Set-off Program (Thousands)	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Non-Key Outcome 1.1.7 Percent of Licensees with No Recent Violations	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Non-Key Output 2.1.2.1 Number of Individuals Receiving Education	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Non-Key Efficiency 1.1.4.1 Average Time to Complete Investigations (Days)	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective
Non-Key Output 1.1.4.3 Number of Lottery Background	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective

Performance Measure	Business Objective 1 To design and implement processes and controls for data collection, data entry, calculations, and reporting.	Business Objective 2 To design and implement processes and controls to ensure performance measure definitions reflect current information systems, data sources, and calculation processes.	Business Objective 3 To design and implement processes and controls to facilitate performance measure consistency and compliance through comprehensive written procedures.	Business Objective 4 To design and implement processes and controls to ensure performance measures are calculated according to the methodology stated in the performance measure definition.	Business Objective 5 To design and implement processes and controls to maintain adequate source documentation to corroborate reported information.
Investigations Completed					
Non-Key Outcome 1.1.5 Ratio of Promotion Expense to Net Lottery Sales	Generally effective	Generally effective	Generally effective	Generally effective	Generally effective

Exhibit 3: Internal Control Conclusions.

Detailed Findings and Management Response

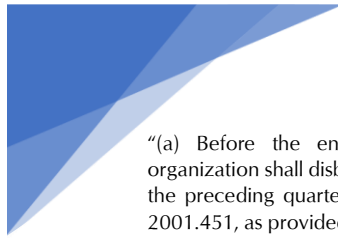


This section of the report provides a summary of applicable business objectives, risks, and controls in place to ensure that the Lottery's Agency-wide Performance Measures program is effective and efficient. Each table also includes our assessment of internal controls for the respective business risk, our recommendations to address deficiencies noted and management's response.

Finding 1: Calculation Methodology for Charitable Bingo Key Outcome Measure - 2.1.6 Percentage of Organizations Who Met the Statutory Charitable Distribution Requirement

Observation: CBOD's Key Outcome Measure 2.1.6 - Percentage of Organizations Who Met the Statutory Charitable Distribution Requirement

The purpose of the measure is to help determine the percentage of licensed authorized organizations in compliance with the Bingo Enabling Act, Section 2001.457 as shown in **Exhibit A**.



“(a) Before the end of each quarter, a licensed authorized organization shall disburse all of the organization’s net proceeds from the preceding quarter, other than amounts retained under Section 2001.451, as provided by this subchapter.

(b) If a licensed authorized organization fails to meet the requirements of Subsection (a) for a quarter, the commission in applying appropriate sanctions shall consider whether, taking into account the amount required to be disbursed during that quarter and the three preceding quarters, the organization has disbursed a total amount sufficient to have met the disbursement requirement for that quarter and the three preceding quarters combined.

(c) A licensed authorized organization that has ceased to conduct bingo for any reason and that has unexpended bingo funds shall disburse those funds as provided by this subchapter before the end of the next calendar quarter after the calendar quarter in which the organization ceases to conduct bingo.”

Figure A: Bingo Enabling Act, Section 2001.457

The current methodology for calculating the measure states:

“Currently, bingo licensees report on a calendar quarter basis. As such, the third and fourth quarters from the preceding calendar year, as well as the first and second calendar quarters of the current calendar year, will be utilized for this measure. This measure is calculated by dividing the number of licensed authorized organizations meeting the required minimum charitable distribution by the number of licensed authorized organizations that held an active license during the year.”

CBOD developed a procedure, *Accounting Performance Measures*, to calculate and report the performance measure that requires the removal of duplicate organizations. However, testing results indicated duplicates were not removed prior to calculating the percentage, resulting in the reporting of an inaccurate amount. Therefore, we classified this performance measure as “Factors Prevented Certification”.

Recommendation(s):

We recommend CBOD streamline the performance measure process by working with the Information Resources Division to automate the manual steps within the calculation method. For example, developing an automated process to remove duplicates prior to generating the reports used to calculate the measure. This will increase measure accuracy and all over efficiency of the performance measure calculation and reporting process.

Management Response:

CBOD agrees with the finding. The management action plan includes the following:

- Continue working with Information Resources Division to automate BOSS performance measure reports.
- Revise Fiscal Year 2021 performance measure 2.1.6 and report correct number to Office of Controller.

Appendix A - Background



This section of the report provides an overview of the Agency-wide Performance Measures.

The State of Texas (State) utilizes performance-based budgeting to analyze state agency operations, including TLC, through the Strategic Planning and Performance Budgeting System (SPPB). The SPPB is a system that combines strategic planning and performance budgeting into the state's appropriation process. The SPPB System's mission, goal-driven, results-oriented methodology is used as a resource by legislators to make state funding decisions. A portion of these decisions is based upon reported performance measure outcomes. The SPPB System is used as a resource in making state funding decisions based on whether state agencies are accomplishing expected results.

SPPB's three major components are 1) strategic planning, 2) performance budgeting, and 3) performance monitoring. These three components are implemented by each state agency in four interrelated phases: 1) strategic planning, 2) budget development, 3) budget implementation, and 4) performance monitoring. Performance measurement activities are at the core of each component. **Exhibit B** provides a graphical overview of the SPPB processes and components. Performance measurement activities are at the core of TLC's budgeting process. The blue activities are TLC responsibilities while the green activities are primarily performed by the LBB with TLC input.

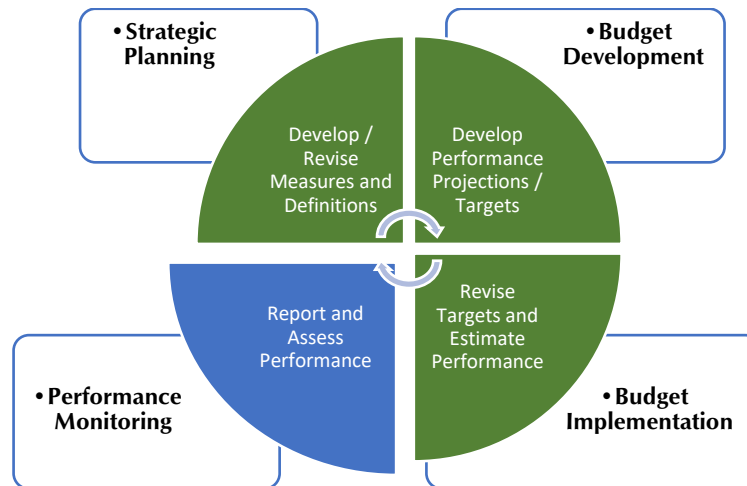


Exhibit B: Strategic Planning and Performance Budgeting Components and Processes.

The legislators, Legislative Budget Board , Governor’s Office of Budget, Planning and Policy (GOBPP), State Auditor’s Office and Texas Lottery Commission each have roles in the performance measure process. **Exhibit C** displays the respective primary roles in the performance measure process below.

Entity	Role
Legislators	<ul style="list-style-type: none"> • Resource Allocation. • Final determination on performance measure additions, deletions or revisions.
Legislative Budget Board	<ul style="list-style-type: none"> • Approve performance measures and definitions. • Recommend targeted performance measure levels for key performance measures.
Governor’s Office of Budget, Planning and Policy	<ul style="list-style-type: none"> • Approve performance measures and definitions.
State Auditor’s Office	<ul style="list-style-type: none"> • Audits the performance measure results and processing controls.
Texas Lottery Commission	<ul style="list-style-type: none"> • Prepare strategic plans. • Prepare operating budget. • Implement operating budget. • Report performance measure outcomes. • Maintain effective control systems for capturing, monitoring, and reporting performance measures.

Exhibit C: Primary Roles.

Performance measures serve several purposes:

- They are monitoring tools to help guide government and make it accountable to the taxpayer.
- They indicate how progress toward agency goals and objectives is measured.
- They are used by decision-makers when allocating resources and determining appropriation levels.
- They are intended to help focus agency efforts on achieving priority goals and objectives.

The SPPB System created four different types of measures: 1) outcome, 2) output, 3) efficiency, and 4) explanatory/input. **Exhibit D** describes each measure’s definition.

Measure Type	Definition
Efficiency	Quantifiable indicator of productivity expressed in unit costs, units of time, or other ratio-based units
Explanatory	An indicator of factors, agency resources, or requests received that affect or explains an agency's performance.
Input	A quantifiable indicator of the resources used, or requests received by a state agency to produce its goods or services.
Outcome	Quantifiable indicator of the public and customer benefits from an agency's actions
Output	Quantifiable indicator of the number of goods or services an agency produces

Exhibit D: Performance Measure Definitions by Type.

Performance measures are reported through different mechanisms and at different intervals, depending on if they are classified as key or non-key. The operating budget is prepared on odd-numbered calendar years. The Legislative Appropriations Request is prepared on even-numbered calendar years.

TLC Performance Measure Business Processes

The responsibility for reporting performance measure data at TLC is decentralized and the Office of Controller (OC) is responsible for consolidating the data and entering the performance measure results into the State's Automated Budget and Evaluation System of Texas (ABEST). Each TLC division is responsible for maintaining and retaining adequate records, gathering the data, and reporting results of their respective activities to the OC.

The LBB controls access to the ABEST System. Only employees that have a valid logon, approved by their supervisor, can gain access to the system. The LBB also controls use of the ABEST System by opening and closing access to specific system modules and periods. Any authorized user can change data in the system if the period or module has been opened by the LBB. Therefore, review of information entered in the system is an important internal control.

The Budget Analyst from the OC emails reminders to individuals responsible for calculating performance measures. Face-to-face meetings are conducted as necessary to ensure that internally established deadlines, calibrated to the LBB's ABEST calendar, are met. The Budget Analyst then enters the performance measures information into the ABEST System based on the reporting schedule. Output and efficiency measures are reported quarterly while outcome and explanatory measures are reported annually.

Independent review of the ABEST System data entry is accomplished through the Budget Analyst providing the Financial Operations Manager and Executive director reports to review the data entry before ABEST is closed. Then each division manager is provided with an ABEST report after it is closed that shows the performance measure data entered. Additionally, the agency's strategic planning and LAR development processes include a review of the reported performance measures.

Appendix B - Performance Measure Certification Results



This section of the report provides an overview of our certification results as a result of our detailed testing.

TLC reports on 12 key measures and 44 non-key measures. For detailed testing, we selected all 12 key measures and six non-key measures. The figures below display the results of our testing.

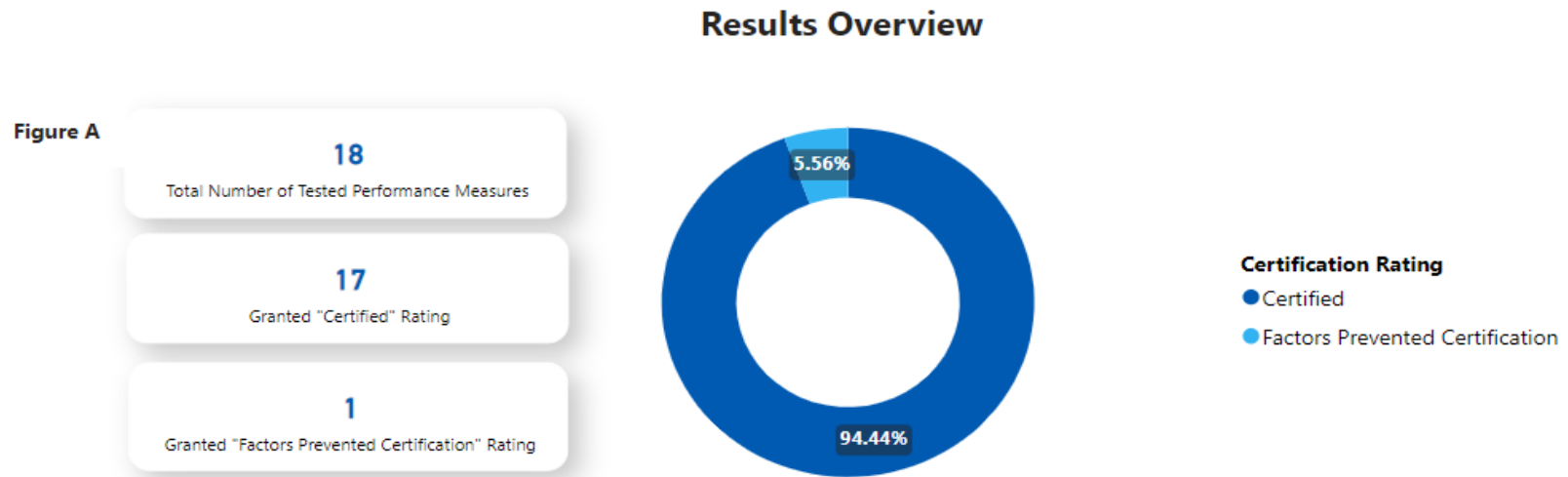


Figure A: Certification Status of Measures Tested.

Figure B**Figure B:** Percentage of Measures Receiving a Certified Status by Department.

Key and Non-Key Results Overview

Figure C

Total Measures Tested

Key
12
Non-Key
6

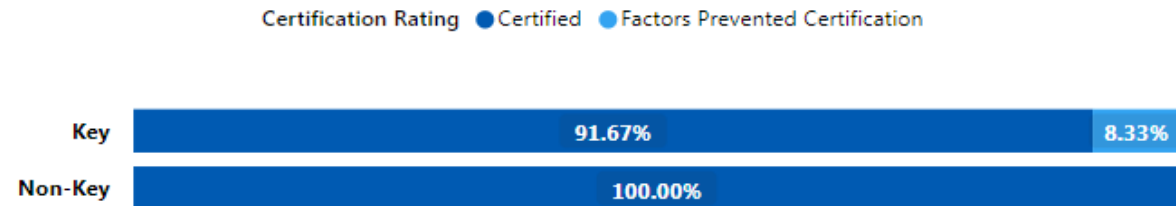


Figure C: Percentage of Measures Receiving a Certified Status (Key versus Non-Key).

Category Results Overview

Figure D

Total Measures Tested

Output
9
Outcome
7
Efficiency
2

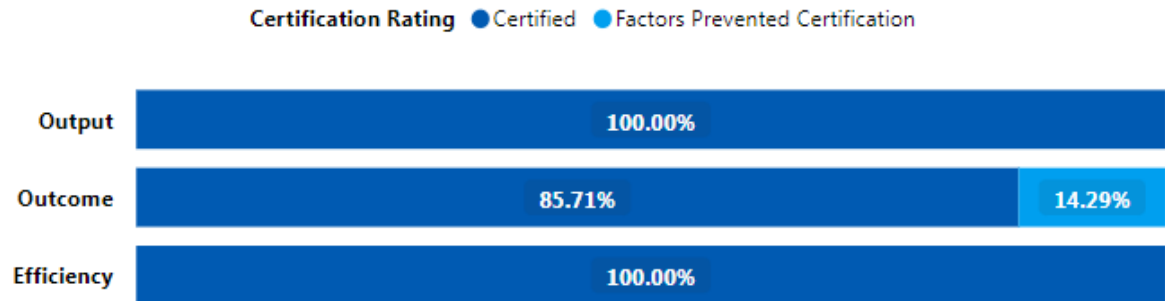


Figure D: Percentage of Measures Receiving a Certified Status by Measure Type.