Agency Wide

Performance Measures

#15-102

October 2015

Department of Information Resources
Internal Audit

Internal Audit Mission Statement

To collaborate with DIR leadership to fulfill the agency's core mission by providing independent and objective audit services designed to add value and improve the effectiveness of risk management, control, and governance processes.

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Executive Summary

This report summarizes the scope and observations of the work performed in conducting the performance audit of DIR's key performance measures, reported to the state through the Automated Budget and Evaluation System of Texas (ABEST), operating budgets, and Legislative Appropriations Requests (LAR). This audit was included in the Fiscal Year 2015 Internal Audit Annual Plan.

The objectives of the audit were 1) to determine whether DIR has adequate controls over the collection, calculation, review, and reporting of its key performance measures, and 2) to determine whether DIR is accurately reporting its performance measures to the ABEST System.

To accomplish these objectives Internal Audit designed procedures to gain an understanding of DIR's business processes for the collection, processing, review, reporting, data retention, and supporting documentation for the 10 key performance measures. In conducting these procedures we analyzed the performance measures supporting documentation, the data input and processing controls and accuracy, information system general controls (access and system availability or problems), and the data output controls.

We reviewed the performance measures definitions to determine if data and calculations were following the stated definition; reviewed written procedures to verify that the procedures were complete and that the process owners were following the procedures; conducted interviews with process owners; used available documentation to recalculate each of the 10 key performance measures reported between September 1, 2013 and March 31, 2015; and used random sampling methodology to select samples of each performance measure's supporting documentation.

Overall, controls are in place to ensure timely submission of the key performance measures results to the LBB and DIR management works diligently to ensure that information is timely, accurate, and complete.

Some of the current processes for collecting, calculating, and reporting certain performance measures have not mitigated inherent risks associated with the activities, are not efficient, and in some instances have led to the agency's inability to recalculate the same number provided to the Legislative Budget Board (LBB) through the ABEST System with the supporting documentation that is currently available. No formal review of the data entered into the ABEST System has led to incorrect data being reported and not detected. Additionally,

some of the performance measures should be considered for modification due to their definitions and methodologies do not represent the processes being performed.

Recommendations to strengthen existing controls and improve the performance measures data capturing and reporting processes were provided to DIR management. DIR management concurred with the results of the audit and provided responses to implement the recommendations.

Detailed results of the audit and management's responses are documented in the report that follows.

Internal Audit thanks the DIR staff from each division for their professionalism, time, cooperation, and assistance provided during this audit.

Background

McConnell & Jones LLP (MJ), serving as support to the DIR's Internal Audit function (Internal Audit) conducted a performance audit of DIR's key performance measures reported to the state through the Automated Budget and Evaluation System of Texas (ABEST), the operating budgets, and the Legislative Appropriations Request (LAR). This report summarizes the scope and observations of the work. The audit was included in the Fiscal Year 2015 Internal Audit Annual Plan.

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We reviewed the performance measures definitions to determine if data and calculations were following the definition; reviewed written procedures to verify that the procedures were complete and that the process owners were following the procedures; conducted interviews with process owners; used available documentation to recalculate each of the 10 key performance measures reported between September 1, 2013 and March 31, 2015; and used random sampling methodology to select samples of each performance measure's supporting documentation.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Generally Accepted Government Auditing Standards*. These standards require audits to be planned and performed to obtain sufficient and appropriate evidence to provide reasonable support for the results and conclusions included in the report. Internal Audit states that the evidence obtained during this audit provides reasonable support for the results and conclusions included in this report.

The State of Texas (State) requires all state agencies to abide by the established Strategic Planning and Performance Budgeting (SPPB) System. SPPB is a system that combines strategic planning and performance budgeting into the state's appropriations process. The SPPB System's mission, goal-driven, results-oriented methodology is used as a resource by legislators to make state funding decisions.

The State has published guidelines on the development, monitoring, and updating of performance measures, which must be adhered to by all state agencies like DIR. These guidelines include the components that each performance measure must include. The Legislative Budget Board (LBB) places emphasis on accurate reporting of performance measures.

The State Auditor's Office (SAO) has been tasked with conducting periodic audits of each agency's performance measures. These audits result in a "certification" status and penalties can be assessed for inaccurate reporting and poor internal controls over the reporting process. Performance measures are designated as either "Certified," "Certified with Qualification," "Inaccurate", and "Factors Prevented Certification". These categories are assigned based on a combination of the adequacy of the controls over a measure and the results of testing a sample of source documents. The following are explanations of the four certification categories:

- A measure is **Certified** if reported performance is accurate within five percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.
- A measure is **Certified with Qualification** when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but the deviation caused less than a five percent difference between the number reported to ABEST and the correct performance measure result.
- A measure is **Inaccurate** when the actual performance is five percent or greater than the reported performance, or when there is a five percent or greater error rate in the sample of documentation tested. A measure is also inaccurate if the agency's calculation deviated from the measure definition and caused a five percent or greater difference between the number reported to ABEST and the correct performance measure result.
- **Factors Prevented Certification** if documentation is unavailable and controls are not adequate to ensure accuracy. This designation is also issue when there is a deviation from the measure definition and the Auditor cannot determine the correct performance measure result.

Each agency is tasked with identifying performance measures that are relevant to their operations. DIR listed 10 key performance measures that it tracked for Fiscal Year 2014 and Fiscal Year 2015. At DIR, the responsibility for reporting performance measures data is decentralized and the Chief Financial Office (CFO) is responsible for consolidating the data

and entering the performance measures into the ABEST System. Each division is responsible for maintaining and retaining adequate records, gathering the data, and reporting results of their respective activities to the CFO.

The Budget Analyst from the CFO emails reminders to those 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.

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. To monitor access, DIR periodically obtains a list of users from the LBB and requests that the LBB make appropriate deletions. 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 DIR Budget Analyst enters performance measures data into the ABEST System. Independent review of the ABEST System data entry is accomplished primarily during the performance budget development process in that performance measures are included in operating budgets and in DIR's LAR. Management review of the performance measures information contained in LARs and operating budgets constitutes a general review of the information rather than a direct verification of the accuracy of the data input into the ABEST System. Direct verification of the accuracy of performance measures entered into the ABEST System occurs informally through email and verbal conversations, if it occurs.

Detailed Results

In summary, internal controls over the data capture, calculation, reporting, review, and retention of supporting documentation need improvement. During our audit, we noted the following:

- Eight of the 10 key performance measures lacked detailed written procedures for data collection, calculation, review, reporting, and document retention. All except Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services (Data Center Services), and Percent of Customers Satisfied with Data Center Services Contract Management (Data Center Services) lacked procedures.
- Three performance measures were reported in the ABEST System with calculation errors that were not subsequently corrected:
    - Percent of Customers Satisfied with Capital Complex Telephone Service (Communications Technology Services) – less than 5% error
    - Percent of Customers Satisfied with TEX-AN (Communications Technology Services) – less than 5% error
    - State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber) – more than 5% error.
- One performance measure did not have enough supporting documentation (either not available or did not agree to the information reported) to result in the same number as the number reported in the ABEST System:
    - State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber).
- One performance measure did not have enough supporting documentation to recalculate the results reported in ABEST:
    - Average Cost per Rule, Guideline and Standard Reviewed and Produced (Legal).
- There was not a formal review of the ABEST System report to validate that accurate data entry occurred. As a result, errors were made that were undetected.
- There is no clear and consistent understanding of how the performance measure on the Average Cost per Rule, Guideline and Standard Reviewed and Produced was calculated during the audit period. The data source and methodology described in the definition that was in effect during the audit period were different than the system used and the data being captured.

- Five performance measures systems did not have adequate application controls to ensure the data was complete, accurate, and not accidently overwritten:
    - Average Cost per Rule, Guideline, and Standard Produced (Spreadsheet, CAPPS)
    - Percent of Customers Satisfied with Capital Complex Telephone Service (Survey Monkey)
    - Percent of Customers Satisfied with TEX-AN (Survey Monkey)
    - Number of State Agency Security Assessments Performed (Excel Workbook)
    - State Agency Participation in DIR Provided Security Training Offerings (Excel Workbook)
- Three performance measures definitions need to be modified to enhance the definitions, revise the calculation of the logic used, or reflect the actual processes:
    - Average Price per Intrastate Minute on TEX-AN (enhance definition and re-examine applicability in current business environment)
    - Average Price per Toll-Free Minute on TEX-AN (enhance definition and re-examine applicability in current business environment)
    - Total Contract Savings and Cost Avoidance Provided through DIR Contracts (revise calculation logic and enhance definition).
- For eight performance measures training is insufficient to ensure the business processes for the collection, calculation, reporting, review and retention of supporting documentation are consistently performed. Cross-training is insufficient to knowledge transfer in instances of employee turnover or extended absences.

Chapter 1: Written Policies and Procedures

Comprehensive written procedures specifically to address the processes to collect, calculate, review, and report performance measures do not exist for eight of the 10 key performance measures reviewed. Some divisions have written procedures for processes related to components of the performance measure, but these fragmented procedures are insufficient to serve as performance measure procedures because they are not focused exclusively on the performance measure. Other divisions consider the performance measure definition as their written procedure. Although certain steps or activities are stated in the performance measures definitions, such definitions are not a substitute for written comprehensive procedures.

Upon request by McConnell & Jones (MJ), some performance measures process owners indicated that procedures specifically related to the performance measurement process did not exist. For some performance measures, procedures are fragmented and address only some of the activities involved in the collection, calculation, and review of the measure but not in a comprehensive manner. Most process owners relied solely on the performance measure definition to calculate the results and were not aware that written procedures detailing the collection, calculation, review, and reporting of the performance measures are required by the State Auditor's Office (SAO).

For the Total Contract Savings and Cost Avoidance Provided through DIR Contracts performance measure, including a memo in the contract file for contracts on which cost avoidance cannot be calculated is being performed as described in the performance measure definition. However, although the procedure is performed, it is not documented in the contracts and enterprise management procedures. Documenting the procedures will formalize the practice. In addition, the procedures should be documented in the performance measure definition because the definition is not a substitute for the procedures.

Responsibilities for calculating and reporting eight of the 10 key performance measures have been held by the same person for one year or more. Two DIR staff had recently transitioned into their positions within the last 12 months. Most process owners indicated when they assumed the responsibilities they were verbally trained.

Figure 1-1 depicts the performance measures tested with no comprehensive written procedures and those for which responsibilities for data collection and calculation had transitioned in the last 12 months.

Figure 1-1: Performance Measures without Written Procedures and Transition of Responsibilities in the Last 12 Months

G/O/S*	Measure Type	Measure Description	Written Procedures for PM Exist	Position for 1 Year or More
1-1-2.1	Efficiency	Average Cost per Rule, Guideline, and Standard Produced (Legal)	No	No
2-1-1.1	Output	Total Contract Savings and Cost Avoidance Provided through DIR Contracts (Cooperative Contracts)	No	Yes
2-2.1	Outcome	Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services (Data Center Services)	Yes	Yes
3-1	Outcome	Percent of Customers Satisfied with Data Center Services Contract Management (Data Center Services)	Yes	Yes

G/O/S*	Measure Type	Measure Description	Written Procedures for PM Exist	Position for 1 Year or More
3-2	Outcome	Percent of Customers Satisfied with Capitol Complex Telephone Service (Communications Technology Services)	No	Yes
3-2	Outcome	Percent of Customers Satisfied with TEX-AN (Communications Technology Services)	No	No
3-2-1.1	Efficiency	Average Price per Intrastate Minute on TEX-AN (Communications Technology Services)	No	Yes
3-2-1.3	Efficiency	Average Price per Toll-Free Minute on TEX-AN (Communications Technology Services)	No	Yes
2-3-1.1	Output	Number of State Agency Security Assessments Performed (Security- Cyber)	No	Yes
2-3-1.2	Output	State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber)	No	Yes

In accordance with the Guide to Performance Measurement Management published by the SAO in March 2012, agencies such as DIR should clearly document all steps performed in the collection, calculation, review, and reporting of the performance measurement data in their written procedures. If the agency does not have policies and procedures for the performance measurement process, the measures cannot receive a rating of "Certified."'

Without written procedures documenting the collection, calculation, review, and reporting of performance measures:

- Data sources and calculations may be inconsistently or inaccurately gathered, calculated, and reported causing the performance measure score to be rated "Inaccurate".
- Individual performance measure scores cannot be "Certified" by the SAO as the agency is deemed to have inadequate control systems over the collection, calculation, and reporting of the measure.

Recommendations:

A. The DIR Chief Financial Office (CFO) should coordinate with DIR Divisions to develop and implement detailed procedures for all performance measures. The procedures should clearly document all the steps performed in the 1) collection, 2) calculation, 3) review, and 4) reporting of the key and non-key performance measures, replete with evidence of review, and duties properly segregated.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

The performance measures definitions contain most of the recommended elements; however, the CFO will coordinate with the corresponding DIR divisions to develop a process manual documenting the steps taken to collect data from the other DIR divisions, calculate, review that data, and report performance measures in the ABEST System.

Estimated Completion Date: February 15, 2016

Responsible DIR CFO Management Staff:

- *Director of Finance*

B. The DIR CFO should coordinate with DIR divisions to develop and implement a checklist to be used when responsibilities for collecting, calculating, reviewing, or reporting performance measures are transitioned.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

A checklist will be added as an appendix to the CFO Division's performance measures process manual and will provide evidence of review.

Estimated Completion Date: February 15, 2016

Responsible DIR CFO Management Staff:

- *Director of Finance*

C. The DIR Technology Sourcing Office (TSO) should add a provision in the cooperative and enterprise management procedures that describes the current practice of placing a memo in the contract file for contracts on which cost avoidance cannot be calculated. The practice is currently performed; however, it needs to be formalized in the division's standard operating procedures.

Management Response:

The DIR TSO agrees with Internal Audit's recommendation.

The cooperative and enterprise management procedures will be revised to formalize the process that is already occurring.

Estimated Completion Date: November 30, 2015

Responsible DIR TSO Management Staff:

- *Manager of Contracts and Vendor Management*

Chapter 2: Performance Measures Calculations

Three of the 10 key performance measures tested were not accurately reported or calculated in accordance with the defined methodology [Percent of Customers Satisfied with Capital Complex Telephone Service (Communications Technology Services); Percent of Customers Satisfied with TEX-AN (Communications Technology Services); and State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber)].

One performance measure (Average Cost per Rule, Guideline and Standard Reviewed and Produced) could not be recalculated due to no clear and consistent understanding of how the average cost per rule, guideline and standard reviewed and produced is calculated. Additionally, the data source and methodology described in the definition are different than the system used and the data being captured. The performance measure definition has changed for Fiscal Year 2016 forward and a clearer methodology has been stated.

Internal Audit reviewed the 10 key performance measures' scores reported by DIR to the LBB during Fiscal Year 2014 and the first two quarters Fiscal Year 2015. Each reported score was reviewed against the summary information provided by the respective process owners for the specific reporting period. Further, Internal Audit recalculated the reported performance measures' scores using the primary data sources, as provided by the process owners, and applied the defined calculation methodologies. Primary data for some performance measures was captured and retained at the time of reporting; for other performance measures the primary data was extracted or collated for the respective reporting period at the time of our review.

Each DIR division responsible for tracking performance measure data uses different systems due to the inherent nature of the agency activity being tracked. All divisions use Excel spreadsheets as part of their processes. We noted two performance measures where the use of spreadsheets does not provide optimal controls for performance measure calculation and reporting:

- State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber) – The Chief Information Security Officer (CISO) Division uses a spreadsheet (Master Tracking Sheet) to compile state agency training registration and attendance data. State agencies register for cyber security training on-line via different registration systems. The registration rosters are then copied into the Master Tracking Sheet and duplicate names are merged. Pivot tables are used to summarize results. This process is extremely prone to accidental loss of data and errors. In fact, our random sample to verify that names listed on the Master Tracking Sheet against the individual registration rosters and vice versa noted instances where attendees were not accurately identified on the Master Tracking Sheet.

- Average Cost per Rule, Guideline and Standard Reviewed and Produced (Legal) – According to the performance measure definition for the period under review, the actual number of rules, guidelines and standards produced is counted manually from the "Rules Guidelines and Standards Reviewed and Produced" spreadsheet. However, DIR management was unable to produce the spreadsheet during the audit. Additionally, the timekeeping system in used has adequate criteria for determining which rules were reviewed or produced; however, staff is not consistent in recording their time and all the relevant data fields are not accurately updated. The fields for deliverable name, primary source, primary source category, and primary source description are not updated consistently from staff to staff. For example, in November 2014, a staff member worked one hour on a Deliverable Type-Rule; however, the Deliverable name was not listed resulting in no clear distinction of which rule the staff worked on during November 2014. In addition, the rule could not be identified. The revised performance measure definition for Fiscal Year 2016 forward does not require staff to capture hours spent. However the spreadsheet for tracking rules, guidelines and standards reviewed is still required.

As depicted in **Figure 2-1**, five of the recalculated performance measures' scores had zero deviations, three scores deviated less than five percent from the reported amount (highlighted), one re-calculated score deviated more than five percent from the reported score, and one score could not be recalculated. The State Auditor's Office (SAO) requires performance measures' scores to be reported within a five percent error margin in order for the measure to be "Certified".

Figure 2-1: Results of the Performance Measures Recalculations and Alignment with Their Definitions

G/O/S	Measure Type	Measure Description	Miscalculated Reporting Period(s)	Reported Performance Measure	Recalculated Performance Measure	Calculated Deviation from Methodology
1-1-2.1	Efficiency	Average Cost per Rule, Guideline, and Standard Reviewed and Produced (Legal)	Unable to recalculate all quarters	FY 2014 Q1-$780 Q2-$3,083 Q3-$3,300 Q4-$2,000 FY 2015 Q1-$3,400 Q2-$2,200	Unable to recalculate all quarters	Unable to recalculate all quarters
2-1-1.1	Output	Total Contract Savings and Cost Avoidance Provided through DIR Contracts (Cooperative Contracts)	All reporting periods were calculated correctly based on the PM definition; the noted differences were due to timing or rounding	FY 2014 Q1-$82,043,577 Q2-$70,194,966 Q3-$57,277,333 Q4-$65,249,241 FY 2015 Q1-$53,122,470 Q2-$40,267,889	FY 2014 Q1-$82,116,677 Q2-$70,121,865 Q3-$57,326,212 Q4-$65,248,066 FY 2015 Q1-$53,057,884 Q2-$41,720,804	FY 2014 Q1-(0.09%) Q2-0.10% Q3-(0.09%) Q4-0.00% FY 2015 Q1-0.12% Q2-(3.61%)

G/O/S	Measure Type	Measure Description	Miscalculated Reporting Period(s)	Reported Performance Measure	Recalculated Performance Measure	Calculated Deviation from Methodology
			and were updated on subsequent ABEST submissions; however, see recommendation regarding calculation logic			
2-2.1	Outcome	Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services (Data Center Services)	None, all were correct	FY 2014 Annual-99.18% FY 2015 Q1-100% Q2-99.79%	FY 2014 Annual-99.18% FY 2015 Q1-100% Q2-99.79%	FY 2014 Annual-0% FY 2015 Q1-0% Q2-0%
3-1	Outcome	Percent of Customers Satisfied with Data Center Services Contract Management (Data Center Services)	None, all were correct	FY 2014 Annual-78% FY 2015 Q1-78% Q2-80%	FY 2014 Annual-78% FY 2015 Q1-78% Q2-80%	FY 2014 Annual-0% FY 2015 Q1-0% Q2-0%
3-2	Outcome	Percent of Customers Satisfied with Capitol Complex Telephone Service (Communication Technology Services)	All periods were incorrect	FY 2014 Annual-96.25% FY 2015 Q1-94.2% Q2-94%	FY 2014 Annual-93.3% FY 2015 Q1-93.5% Q2-90%	FY 2014 Annual-2.95% FY 2015 Q1-.7% Q2-4%
3-2	Outcome	Percent of Customers Satisfied with TEX-AN (Communication Technology Services)	FY14 and FYQ1 were incorrect	FY 2014 Annual-91.65% FY 2015 Q1-78% Q2-94.4%	FY 2014 Annual-88.42% FY 2015 Q1-76% Q2-94.4%	FY 2014 Annual-3.23% FY 2015 Q1-2% Q2-0%
3-2-1.1	Efficiency	Average Price per Intrastate Minute on TEX-AN (Communication Technology Services)	None, all were correct	FY 2014 Q1-$0.02 Q2-$0.02 Q3-$0.02 Q4-$0.02 FY 2015 Q1-$0.02 Q2-$-$0.02	FY 2014 Q1-$0.02 Q2-$0.02 Q3-$0.02 Q4-$0.02 FY 2015 Q1-$0.02 Q2-$-$0.02	FY 2014 Q1-0% Q2-0% Q3-0% Q4-0% FY 2015 Q1-0% Q2-0%

G/O/S	Measure Type	Measure Description	Miscalculated Reporting Period(s)	Reported Performance Measure	Recalculated Performance Measure	Calculated Deviation from Methodology
3-2-1.3	Efficiency	Average Price per Toll-Free Minute on TEX-AN (Communication Technology Services)	None, all were correct	FY 2014 Q1-$0.02 Q2-$0.02 Q3-$0.02 Q4-$0.02 FY 2015 Q1-$0.02 Q2-$0.02	FY 2014 Q1-$0.02 Q2-$0.02 Q3-$0.02 Q4-$0.02 FY 2015 Q1-$0.02 Q2-$0.02	FY 2014 Q1-0% Q2-0% Q3-0% Q4-0% FY 2015 Q1-0% Q2-0%
2-3-1.1	Output	Number of State Agency Security Assessments Performed (Security- Cyber)	None, all were correct	FY 2014 Q1-0 Q2-0 Q3-4 Q4-1 FY 2015 Q1-5 Q2-2	FY 2014 Q1-0 Q2-0 Q3-4 Q4-1 FY 2015 Q1-5 Q2-2	FY 2014 Q1-0% Q2-0% Q3-0% Q4-0% FY 2015 Q1-0% Q2-0%
2.3.1	Output	State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber)	All quarters were reported incorrectly except FY 2015 Q2	FY 2014 Q1-26 Q2-8 Q3-84 Q4-6 FY 2015 Q1-49 Q2-98	FY 2014 Q1-73 Q2-72 Q3-99 Q4-101 FY 2015 Q1-53 Q2-98	FY 2014 Q1-181% Q2-800% Q3-18% Q4-1,583% FY 2015 Q1-8% Q2-0%

Calculation errors were attributable to oversight; inconsistent application of the calculation methodology; dynamic source data, as the information used for reporting was not retained and did not match the source data provided at the time of our review; and lack of management review of reported results. Personnel changes also attributed to calculation errors as knowledge related to specific performance measures was not adequately transferred at the process owner level. Additionally, as noted previously, Standard Operating Procedures (SOPs) detailing the collection, calculation, review, and reporting did not exist at the time scores were reported for eight of 10 of the key performance measures assessed in our audit.

The support for the Total Contract Savings and Cost Avoidance Provided through DIR Contracts performance measure consists of quarterly eligible sales figures extracted from the Data Warehouse along with the total amount of contract avoidance related to such sales. It is not possible to recalculate the performance measure from this summary information. Therefore, more detailed information such as total eligible sales by contract,

and the cost avoidance percentage by contract should be maintained as the support for the performance measure calculation.

Legislative appropriations are made to DIR pursuant to the General Appropriations Act for the intended purpose of achieving its mission in the most efficient and effective manner possible. In order to achieve the objectives and service standards, DIR is encouraged to make every effort to attain the designated performance measures' levels associated with each item of the appropriations.

DIR is expected to accurately report to the Legislative Budget Board (LBB) actual performance data on a quarterly basis for key output and efficiency measures and on an annual basis for key outcome and explanatory measures. Non-key measures are reported annually in the agency's operating budget and in the Legislative Appropriations Requests (LAR).

Effectively developed performance measures are linked directly to the agency's mission and Strategic Plan and serve as a barometer to measure the agency's accomplishments and efforts expended in accomplishing its goals and objectives. As part of the strategic planning process, performance measures provide a basis for planning future agency actions and resource allocation.

Recommendations:

A. To strengthen controls going forward, the DIR Chief Information Security Office (CISO) should implement procedures to ensure that the summary information provided to the Budget Analyst for reporting through the ABEST System is accurate. The DIR CISO should maintain the supporting documentation for Fiscal Year 2015 to show the differences between the actual participation in DIR offered trainings and the numbers reported in the ABEST System, along with an explanation of the cause for the difference in the numbers reported for historical purposes.

Management Response:

The DIR CISO agrees with Internal Audit's recommendation.

The DIR CISO is in the process of developing a module for the Governance, Risk, and Compliance (GRC) System to track trainings offered to agency staff. This system will contain artifacts (e.g. sign-in sheets, registration logs) for each training session. The DIR CISO will create training events and attach artifacts for the Fiscal Year 2015 trainings to capture the available details.

Estimated Completion Date: October 15, 2015

Responsible DIR CISO Management Staff:

- *Chief Information Security Officer*

B. The DIR Chief Financial Officer (CFO) should update the LBB with the correct State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber) performance measures' scores for the reporting periods identified in Figure 2-1, and retain the supporting information used to calculate the revised scores.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

Most of the scores indicated as incorrect vary only by +/- 5% with the exception of measure G/O/S 2.3.1 which appears to have been correctly reported in Fiscal Year 2015 Q2 per the draft audit report. The DIR CFO will consider re-reporting the measures upon receipt of complete data sets and calculations performed by the auditors. The fourth quarter of Fiscal Year 2015 is still available to correct. For Fiscal Year 2015 measures, DIR will request that the LBB re-open the Fiscal Year 2015 previous quarters if significant errors are found.

Estimated Completion Date: February 16, 2016

Responsible DIR CFO Management Staff:

- *Director of Finance*

C. All DIR divisions should provide supporting documentation to the CFO for the performance measures' scores reported to the LBB for Fiscal Year 2014 and Fiscal Year 2015. The DIR CFO should retain copies of the supporting documentation of the performance measures data received.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

Ninety percent of the supporting documentation is submitted by the divisions during the reporting phase. The DIR CFO has most of the supporting documentation and will request the missing documentation from each DIR division.

Estimated Completion Date: October 15, 2015

Responsible DIR CFO Management Staff:

- *Director of Finance*

The DIR CISO agrees with Internal Audit's recommendation.

The CISO will comply with this directive to the best of its ability and will work with the CFO to determine the preferred way to provide this data, as it currently exists in multiple formats.

Estimated Completion Date: December 30, 2015

Responsible DIR CISO Management Staff:

- *Chief Information Security Officer*

The DIR Communications Technology Services (CTS) agrees with Internal Audit's recommendation.

CTS will provide all supporting documentation.

Estimated Completion Date: December 15, 2015

Responsible DIR CTS Management Staff:

- *Director of CTS*

The DIR Technology Sourcing Office (TSO) agrees with Internal Audit's recommendation and is already providing documentation to support this function.

The DIR TSO will coordinate to provide any documentation that is required to the CFO that is not already being provided or is adjusted as part of the comprehensive procedures being developed.

Estimated Completion Date: February 16, 2016

Responsible DIR TSO Management Staff:

- *Director of TSO*

The DIR General Counsel (GC) agrees with Internal Audit's recommendation.

The DIR GC will assist the CFO as appropriate.

Estimated Completion Date: December 31, 2015

Responsible DIR GC Management Staff:

- *General Counsel*

D. The DIR CFO should review the performance measures supporting documentation, and compares it to the summary report provided by the Budget Analyst to identify discrepancies, if any.

Management Responses:

The DIR CFO agrees with Internal Audit's recommendation.

Where possible the supporting documentation and summary report will be compared and reviewed for discrepancies. Some underlying data is in databases and could

possibly be obtained using a query. The DIR CFO will implement this recommendation beginning with the fourth quarter of Fiscal Year 2015.

Estimated Completion Date: October 31, 2015

Responsible DIR CFO Management Staff:

- *Director of Finance*

E. The DIR TSO should retain a report from the Data Warehouse as backup showing eligible sales by customer and cost avoidance percentages by contract as support for the performance measure on Total Contract Savings and Cost Avoidance Provided through DIR Contracts. This detailed information is preferred over the summary information currently being used, due to it is not possible to recalculate the performance measure from the summary information.

Management Response:

The DIR TSO agrees with Internal Audit's recommendation.

The DIR TSO will retain a backup report from the Data Warehouse with supporting documentation to illustrate the dollar amounts reported on the performance measures reporting due date.

Estimated Completion Date: October 31, 2015

Responsible DIR TSO Management Staff:

- *Director of TSO*

F. The DIR CISO should develop a database or more robust and user friendly system for tracking and reporting state agency participation in DIR provided security training offerings.

Management Response:

The DIR CISO agrees with Internal Audit's recommendation.

The DIR CISO is in the process of moving the data used for collecting and reporting performance measures from various Excel spreadsheets to the Governance Risk, and Compliance (GRC) System. As we complete this project, we will create the procedures for collecting, calculating, reviewing, and reporting our performance measures.

Estimated Completion Date: November 15, 2015

Responsible DIR CISO Management Staff:

- *Chief Information Security Officer*

Chapter 3: Data Compilation and Document Retention

The current methods used for capturing and retaining performance measures data do not provide for sound internal controls, can result in not having sufficient data to document the performance measures' calculations and could result in non-compliance with the requirements of the State of Texas Records Retention Schedule[1]. Specifically, we noted the following deficiencies with regards to the documentation of the 10 key performance measures reviewed:

- Average Cost per Rule, Guideline and Standard Produced (Legal) – staff were not entering their time correctly into the CAPPS System and the tracking Excel spreadsheet was not available for review. *Note: The definition for this performance measure changed for Fiscal Year 2016 forward and the average cost per hour is no longer a part of the definition but the spreadsheet is identified as a data source; accordingly the spreadsheet must be created and maintained.*

- Total Contract Savings and Cost Avoidance Provided through DIR Contracts (Cooperative Contracts) – cost avoidance percentages in the Salesforce System must be entered on a timely basis to ensure that the Data Warehouse calculation of the cost savings amount is correct. During testing, we noted three instances out of 29 contracts tested where the cost avoidance percentage was not entered timely causing an incorrect calculation of cost avoidance for the contracts reviewed. This represents an error rate of approximately 10 percent. To strengthen internal controls over this area, there must be a process to verify that the most recent cost avoidance percentages calculated from new or amended contracts have been entered into the Salesforce System before the quarterly cost avoidance calculation is made. A review of the Audit History Report to ensure that all new cost avoidance calculations have been entered into the Salesforce System would accomplish this goal. A cost avoidance percentage that is in the contract file but not captured on the Audit History Report indicates that it has not been entered into the Salesforce System.

- Percent of Customers Satisfied with Capital Complex Telephone Service (Communications Technology Services) – two separate Survey Monkey surveys contain the exact same three questions related to customer satisfaction. If a customer receives services from both the capitol complex telephone service and the TEX-AN service, the customer receives two separate email links to complete two different surveys. This process could lead to the customer satisfaction information

[1] Texas Administrative Code, Title 13, Chapter 6, Section 6.10, Texas State Library and Archives Commission 1.1.64. AGENCY PERFORMANCE MEASURES DOCUMENTATION - Any records of an agency needed for the documentation of output, outcome, efficiency, and explanatory measures in an agency's appropriations request or strategic plan, and for performance measures used to manage the agency must be retained for the fiscal year reported plus three years in order to respond to audits, as well as to other performance-related questions.

being underreported because the CTS staff only reports the results from the survey link pertaining to their specific performance measure and discards the results from the second survey link for the other service received. If a customer receives two services, customer satisfaction data should be collected, reviewed, and reported for both services.

- Percent of Customers Satisfied with TEX-AN Service (Communications Technology Services) – two separate Survey Monkey surveys contain the exact same three questions related to customer satisfaction. If a customer receives services from both capitol complex telephone service and the TEX-AN service, the customer receives two separate email links to complete two different surveys. This could lead to the customer satisfaction information being under-reported because the CTS staff only reports the results from the survey link pertaining to their specific performance measure and discards the results from the second survey link for the other service received. If a customer receives two services, customer satisfaction data should be collected, reviewed, and reported for both services.

- Number of State Agency Security Assessments Performed (Security-Cyber) – security assessments for state agencies are performed by third parties on behalf of DIR. Each security assessment is tracked by its status on a Master Project Sheet. An assessment is placed on the DIR's Master Project Sheet once the kick-off meeting is held, and it is considered complete when the closing meeting is held with the agency receiving the assessment. The Chief Information Security Office (CISO) receives a calendar invite to attend the closing meeting. These calendar invites serve as the primary method of noting that the security assessment has been completed. The invoice to the customer also serves as an indicator that the assessment has been completed. However, if a calendar invitation is declined it is not listed on the CISO's calendar and can no longer be used as a source to support the performance measure calculation. In these instances, the vendor's invoice is used as confirmation that the security assessment has been finalized.

Sound business practices include consideration of future document retrieval needs and retention requirements. In fact, SAO requires that adequate documentation of primary data related to performance measures be retained to support the reported performance and that additional documentation should is kept if a database does not contain an appropriate audit trail. The documents can be in electronic or hard copy form, but they should be accessible for review whether stored onsite or offsite. Furthermore, according to the State of Texas Records Retention Schedule, performance measure documentation should be retained for the fiscal year reported plus three years in order to respond to audits and other performance-related questions.

Not establishing processes to maintain source data in its original content and not having a document retention policy can lead to:

- Inability to support the information reported
- Non-compliance with the State of Texas Records Retention Schedule

Recommendations:

A. The DIR Chief Financial Officer (CFO) should establish a folder on the network for each division to place their source documentation and reports each quarter, and require all divisions to maintain their source documents in their designated folder. Restrict access to the network folders to DIR staff with a valid role in the performance measure collection to reporting process.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

The DIR CFO will work with the internal Information Technology Services (ITS) staff to create a network folder for all performance measures related documents and limit access to associated staff. The CFO will alert DIR divisions that they need to store and maintain their files in the designated folders.

Estimated Completion Date: November 15, 2015

Responsible DIR CFO Management Staff:

- *Director of Finance*

B. The DIR Technology Sourcing Office (TSO) should ensure that cost avoidance percentages calculated on new or amended contracts have been entered into the Salesforce System before the quarterly cost avoidance calculations are made.

Management Response:

The DIR TSO agrees with Internal Audit's recommendation.

DIR TSO will update current procedures to indicate that all executed cooperative contracts and amendments are entered and verified in the Salesforce System no later than the 20th day of the month in which the reporting for the performance measure is due.

Estimated Completion Date: February 15, 2016

Responsible DIR TSO Management Staff:

- *Manager of Contracts and Vendor Management*

C. The DIR Chief Information Security Office (CISO) should print to PDF all calendar invites for security assessment kick-off and closing meetings, and maintain a copy of the respective final invoice in the performance measure folders.

Management Response:

The DIR CISO agrees with Internal Audit's recommendation.

We are evaluating methods to collect and retain the artifacts. Preferably, we would like the images/ pdfs stored with the assessment records in the Governance, Risk, and Compliance (GRC) solution.

Estimated Completion Date: December 30, 2015

Responsible DIR CISO Management Staff:

- *Chief Information Security Officer*

D. The DIR Communications Technology Services (CTS) should develop and implement a solution to create and execute one comprehensive DIR Customer Satisfaction Survey that captures customer satisfaction information that is currently captured through the various surveys that DIR administers to its customers by the different DIR divisions within the agency, including the capitol complex telephone services (CCTS) and CTS. Since this is agency-wide, the coordination with all pertinent DIR divisions needs to occur.

In the meantime, CTS should devise a method to ensure staff is capturing and reporting all customer satisfaction responses received for CCTS and CTS.

Management Response:

The DIR CTS agrees with Internal Audit's recommendation.

DIR CTS will explore options and will create one comprehensive DIR customer survey that captures agency-wide information for all DIR divisions.

Our short-term solution is to determine a methodology to capture, distinguish, and accurately report all CCTS and CTS customer satisfaction responses.

Estimated Completion Dates:

- *DIR agency-wide survey (long-term solution) – July 31, 2016*
- *Customer satisfaction solution for CCTS and CTS (short-term solution) – February 28, 2016*

Responsible DIR CTS Management Staff:

- *Manager of CCTS*

E. The DIR CFO should develop and implement a records retention policy for performance measures data that aligns with the State of Texas Records Retention Schedule.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

The DIR CFO will follow the current State of Texas Records Retention Schedule which is the current year plus three years.

Estimated Completion Date: November 15, 2015

Responsible DIR CFO Management Staff:

- *Director of Finance*

F. The DIR CFO should monitor the network folder and dispose of performance measures' documentation in accordance with the DIR records retention policy.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

In accordance with the Records Retention Schedule DIR will dispose of performance measures' documentation after four years for the oldest year.

Estimated Completion Date: September 30, 2019

Responsible DIR CFO Management Staff:

- *Director of Finance*

G. The DIR General Counsel (GC) should work with the CFO to create and maintain a "Rules Guidelines and Standards Reviewed and Produced" spreadsheet to capture associated work activities.

Management Response:

The DIR GC agrees with Internal Audit's recommendation.

Information will be recorded in a spreadsheet or other format as determined with the CFO.

Estimated Completion Date: November 30, 2015

Responsible DIR GC Management Staff:

- *General Counsel*

Chapter 4: Performance Measures Reporting Feedback

Performance measures' scores reported to the Legislative Budget Board (LBB) through the ABEST System are not provided to the respective DIR divisions for review and validation after each quarter's performance measures are reported. In addition, an overall performance measures scorecard is not maintained to provide a high level snapshot of the agency's operations and to identify trends or corrective actions that may need to be taken. To effectively achieve goals and objectives, actual results and progress should be shared with the process owners and division heads to validate the performance measure entry against the data provided to the Chief Financial Office (CFO). Additionally, providing a copy of the ABEST System report with reported performance measures to all responsible managers makes them aware of performance issues in case strategic adjustments are needed to better attain with the targeted performance measures' goals.

Although staff from the CFO indicated that ABEST System reports are printed for review and approval by management staff, this review is not documented. Moreover, while it is assumed that the ABEST System data entry is indirectly reviewed by DIR management during the performance budget development process, this review is also not documented and is not directly focused on validating the performance measures data entered into the ABEST System. Accordingly, stronger evidence of review of performance measures data input into the ABEST System is warranted.

The DIR divisions should implement procedures for performing documented reviews of all performance data before and after the data are entered into the ABEST System. Such a review will help ensure that data entry is accurate and complete. Lack of documented reviews can have the following impact:

- Inaccurate scores will prevent DIR from using performance information effectively and efficiently to manage operations and monitor true progress towards strategic objectives and goals.
- DIR funding may be negatively impacted if results continue to be inaccurately reported.

The Technology Sourcing Office (TSO) reviewer initials and the date reviewed are placed at the bottom of the cost avoidance spreadsheet (known as Appendix 57) that is used to document the cost avoidance percentage on cooperative contracts. A copy of the cost avoidance spreadsheet showing evidence of review is maintained in the contract file. This documentation provides strong evidence that the cost avoidance calculation was reviewed, by whom, and the date. This is a best practice that could be replicated for the review of other performance measures.

Recommendations:

A. The DIR Chief Financial Officer (CFO) should assign at least two knowledgeable staff, other than the staff responsible for calculating the toll free and intrastate performance measures, to review telecommunication call types, at least quarterly. Review new call types created to determine whether the new call type needs to be included in the performance measure calculation, and confer with the staff responsible for making the calculation. After the calculation is made, it should be reviewed independently to ensure the new information was included in the calculation and that the calculation is correct.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

The DIR CFO will implement in Q1 of Fiscal Year 2016.

Estimated Completion Date: December 15, 2015

Responsible DIR CFO Management Staff:

- *Director of Finance*

B. The DIR CFO should provide copies of the ABEST System report to all division managers for their review of all the performance measures data entered into the ABEST System to ensure the report is accurate and complete.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

The ABEST System quarterly reports only contain key measures, some of which are reported annually. The report will be delivered to the appropriate division managers.

Estimated Completion Date: October 15, 2015

Responsible DIR CFO Management Staff:

- *Director of Finance*

Chapter 5: Information Technology Controls

Three systems used to track and report on performance measures data do not have adequate controls. Systems that capture, report, and maintain performance measures data can be either manual, automated, or a hybrid of both. Regardless of the system used, it is important that internal controls exist and are operating effectively in three areas: input, process, and output. Input controls provide reasonable assurance that data entered into the

performance measure system is accurate. Process controls provide reasonable assurance that performance measure data are captured, validated, calculated, reviewed, and reported accurately and timely. Review controls provide verification that an activity occurred, that all pertinent data has been gathered, and was correctly calculated to provide reasonable assurance that accurate data is reported. **Figure 5-1** provides an overview of the systems environment in which the data used to generate DIR's performance measures is captured, calculated, reviewed, and reported. If both columns are checked, the system is considered hybrid.

In summary, we noted that systems' controls need to be strengthened for the following key performance measures:

- Average Cost per Rule, Guideline, and Standard Produced (Legal) – Spreadsheet used was not available for review and the CAPPS System data fields used are not configured to require completion. However, the definition for this measure changed effective Fiscal Year 2016 and this will no longer be applicable.
- Percent of Customers Satisfied with Capital Complex Telephone Service – Survey Monkey does not have edit checks and the tracking functionality needed to ensure changes are identified and reported when survey response details are changed after the fact.
- Percent of Customers Satisfied with TEX-AN – Survey Monkey does not have edit checks and the tracking functionality needed to ensure that changes are identified and reported when survey response details are changed after the fact.
- Number of State Agency Security Assessments Performed (Security- Cyber) – Excel workbook is not protected to ensure the data is not accidently overwritten or lost.
- State Agency Participation in DIR Provided Security Training Offerings – Excel workbook is not protected to ensure the data is not accidently overwritten or lost.

Figure 5-1: Performance Measures Information Systems and Controls

G/O/S*	Measure Type	Measure Description	Automated System Used	Manual System Used	Adequate Controls Exist
1-1-2.1	Efficiency	Average Cost per Rule, Guideline, and Standard Produced (Legal)	Yes	Yes	No
2-1-1.1	Output	Total Contract Savings and Cost Avoidance Provided Through DIR Contracts (Cooperative Contracts)	Yes	Yes	Yes
2-2.1	Outcome	Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services (Data Center Services)	Yes	Yes	Yes

G/O/S*	Measure Type	Measure Description	Automated System Used	Manual System Used	Adequate Controls Exist
3-1	Outcome	Percent of Customers Satisfied with Data Center Services Contract Management (Data Center Services)	Yes	Yes	Yes
3-2	Outcome	Percent of Customers Satisfied with Capitol Complex Telephone Service (Communications Technology Services)	Yes	Yes	No
3-2	Outcome	Percent of Customers Satisfied with TEX-AN (Communications Technology Services)	Yes	Yes	No
3-2-1.1	Efficiency	Average Price Per Intrastate Minute on TEX-AN (Communications Technology Services)	Yes	N/A	Yes
3-2-1.3	Efficiency	Average Price Per Toll-Free Minute on TEX-AN (Communications Technology Services)	Yes	N/A	Yes
2-3-1.1	Output	Number of State Agency Security Assessments Performed (Security-Cyber)	Yes	Yes	No
2-3-1.2	Output	State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber)	Yes	Yes	No

Credibility is lost when systems used to record and report data do not have adequate access and overwrite controls to protect the integrity of the data.

Recommendations:

A. The DIR Communications Technology Services (CTS) should design stronger controls around survey gathering and reporting. These could include establishing a survey specific to reporting periods to prevent the survey data from being accidentally edited or overwritten.

Management Response:

The DIR CTS agrees with Internal Audit's recommendation.

This will be implemented with the DIR One Survey (agency-wide survey) that is proposed for recommendation 3-D of this report.

Estimated Completion Date: February 28, 2016

Responsible DIR CTS Management Staff:

- *Manager of Capital Complex Telephone Services*

B. The DIR Chief Information Security Office (CISO) should develop a database or more robust and user friendly system to track and report state agency participation in DIR provided security training offerings.

Management Response:

The DIR CISO agrees with Internal Audit's recommendation.

The DIR CISO is in the process of moving the data used for collecting and reporting performance measures from various Excel spreadsheets to the Governance, Risks, and Compliance (GRC) System. As we complete this project, we will create the procedures for collecting, calculating, reviewing, and reporting our performance measures.

Estimated Completion Date: November 15, 2015

Responsible DIR CISO Management Staff:

- *Chief Information Security Officer*

Chapter 6: Performance Measures Definitions

Three performance measures definitions need to be modified to enhance the definitions, update the calculation logic used, or reflect the actual processes.

- Average Price per Intrastate Minute on TEX-AN (enhancement and re-examine applicability in current environment) – **Clarify** – DIR should clarify the current definition for this performance measure to discuss within the data limitations section that rounding differences can occur upon recalculation of the measure and that the differences are caused by slight variations in how DIR and the vendor telecommunication systems calculate telecommunications costs.

- Average Price per Toll-Free Minute on TEX-AN (enhancement and re-examine applicability in current environment) – **Clarify** – DIR should clarify the current definition for this performance measure to discuss within the data limitations section that rounding differences can occur upon recalculation of the measure and that the

differences are caused by slight variations in how DIR and the vendor telecommunication systems calculate telecommunications costs.

- Total Contract Savings and Cost Avoidance Provided through DIR contracts (deficient definition) – **Expand** the definition to outline the methodology for calculating cost avoidance from Information Technology (IT) Staffing Services contracts. IT Staffing Services contracts are a signification component of the cost avoidance performance measure calculation. DIR indicated that the performance measure definition incorporates the IT staffing methodology by reference. The measure definition states: *Cost avoidance will be conducted in accordance with the Cooperative Contracts Operating Policies and Procedures within the Technology Sourcing Office (TSO).* However, there are two sets of policies and procedures within the TSO that apply to the IT Staffing Services contracts. As a result, the definition statement should be revised to identify the specific types of contracts within TSO that are used to calculate the cost avoidance performance measure, including the policies and procedures to which the definition statement refers to. This revision is necessary to conform to the SAO's *Guide to Performance Measure Management*, which states that definitions should be "clear, specific, and not opened to interpretation."

  DIR is applying cost avoidance percentages to the vendors' net sales rather than gross eligible sales. The monthly sales reports provided by the cooperative contract vendors show sales that are already net of the DIR discount. Applying the cost avoidance percentage to vendors' net sales understates the agency's cost savings to the state. For example, assume that an item costing $10,000 was sold at a 25 percent discount. The table below summarizes how the cost avoidance amount should be calculated and the method DIR is currently using to calculate the measure.

	Recommended Method
Gross Eligible Sales Amount	$10,000
Cost Avoidance %	25%
Cost Avoidance	$2,500

	DIR Method
Net Sale Amount (After DIR Discount- $10,000 - $2,500)	$7,500
Cost Avoidance %	25%
Cost Avoidance	$1,875

The cost avoidance percentage should be applied to gross eligible sales that can be derived by dividing net sales by 1 minus the cost avoidance percentage. Net sales would then be subtracted from the gross eligible sales to calculate the cost savings, as shown below.

Net Sales	$7,500
Divided by Conversion Factor (1-.25)	75%
Equals Gross Eligible Sales	$10,000
Less Net Sales	$7,500
Equals Cost Avoidance	$2,500

This change could be made without collecting additional information or applying additional effort. Applying the cost avoidance percentage to gross eligible sales will yield a more accurate cost savings number. The performance measure definition should also be revised to include this additional detail. The DIR definition for the Total Cost Savings and Cost Avoidance Provided through DIR Contracts currently states: "*The individual percentages are averaged to calculate an overall cost avoidance rate which is then applied to all sales for the contract."* To conform to the SAO's directive that performance measures' definitions be "clear, specific, and not open to interpretation", the definition should be revised to state "… *is then applied to all eligible gross sales for the contract*."

Performance measures' definitions establish both an explanation of the measure and the methodology for their calculations. It is important that the definitions contain enough pertinent information to be clearly understood and that the descriptions of the calculations be detailed enough to allow replication.

Recommendations:

A. The DIR Chief Financial Officer (CFO) should clarify the telecommunications performance measures' definitions to indicate that rounding differences may impact the recalculation of the Communications Technology Services (CTS) performance measures due to incompatibility between the DIR and vendors' telecommunication systems; the number of decimal places from the vendor systems, and carry out rates and usage data from the DIR systems.

Management Response:

The DIR CFO agrees with Internal Audit's recommendation.

The DIR CFO will add this verbiage to the performance measures definition in the data limitations section.

Estimated Completion Date: March 31, 2016

Responsible DIR CFO Management Staff:

- *Director of Finance*

B. The DIR Technology Sourcing Office (TSO) should consult with the LBB to revise the Total Cost Savings and Cost Avoidance Provided through DIR Contracts performance measure definition by identifying the specific types of contracts that the definition incorporates by reference to the TSO's procedures. This revision should specifically include the methodology for calculating IT Staffing Services contracts. In addition, revise the definition to ensure it is specific as to which procedures are applicable by reference. DIR TSO should consult with the LBB at the earliest opportunity, but no later than the 2018-2019 Biennium.

Management Response:

The DIR TSO agrees with Internal Audit's recommendation to consult with the LBB and will revise the cooperative contracts cost avoidance performance measure in accordance with any changes that result from that consultation.

The DIR TSO will consult with the LBB and will revise Total Cost Savings and Cost Avoidance Provided through DIR Contracts performance measure in accordance with any changes that result from that consultation; however, the outcome may not match the audit recommendation. The TSO will consult with the LBB regarding the addition of specific categories of contracts and their associated cost avoidance methodology into the performance measure definition and will modify the definition accordingly as a result of those discussions.

Estimated Completion Date: October 1, 2018

Responsible DIR TSO Management Staff:

- *Director of TSO*

C. The DIR Communications Technology Services (CTS) should re-examine the intent and purpose of the toll free and intrastate performance measures to determine if they are still relevant to achieve their intended purposes. Review other telecommunications costs to determine if another service type would be more relevant and appropriate to achieve DIR's business objectives.

Managements Response:

The DIR CTS agrees with Internal Audit's recommendation.

This will be revisited in March of 2016 when the agency has the opportunity to change budget structure and work with the LBB.

Estimated Completion Date: April 30, 2016

Responsible DIR CTS Management Staff:

- *Director of CTS*

D. The DIR TSO should revise the methodology for calculating the Total Cost Savings and Cost Avoidance Provided through DIR Contracts performance measure to apply the cost avoidance percentage to the gross eligible sales rather than to net sales, and revise the performance measure definition to state that the cost avoidance percentage is "then applied to all eligible gross sales for the contract." Before revising the definition, DIR should consult with the LBB at the earliest opportunity but no later than the 2018-2019 Biennium.

Management Response:

The DIR TSO agrees with Internal Audit's recommendation to consult with the LBB and will revise the cooperative contracts cost avoidance performance measure in accordance with any changes that result from that consultation.

The DIR TSO will consult with the LBB and will revise the Total Cost Savings and Cost Avoidance Provided through DIR Contracts performance measure in accordance with any changes that result from that consultation; however, the outcome may not match the audit recommendation. The TSO will consult with the LBB regarding the use of gross eligible sales rather than net sales in the calculation of the performance measure, and will modify the definition according to the outcome of the discussions with the LBB.

Estimated Completion Date: October 1, 2018

Responsible DIR TSO Management Staff:

- *Director of TSO*

Chapter 7: Performance Measures Training

Training is not sufficient to ensure that business processes for the collection, calculation, review, reporting, and retention of performance measures documentation are consistently performed in instances of employee turnover or extended absences.

Training is a critical component of a strong internal control system. All staff involved in the collection, calculation, review, and reporting of performance measures data must understand the measures' definition and the procedures necessary to produce complete and accurate measures in a timely fashion. Cross-training is also important to ensure continuity should the process owners are unable to perform these functions.

The absence of an effective training program creates a risk that performance measures will not be calculated accurately based on their definitions. Moreover, when no cross-training exists, the loss of institutional knowledgeable becomes a risk. Performance measures that were previously calculated correctly may become inaccurate when knowledgeable staff is no longer involved in the process and their knowledge has not been successfully transferred to other staff. **Figure 7-1** provides an overview of DIR's training environment with respect to the 10 key performance measures reviewed.

Figure 7-1: Training and Cross-Training Environment

Measure Description	Training Sufficient	Cross-Training Sufficient	Observation
Average Cost per Rule, Guideline, and Standard Produced (Legal)	No	No	**Training** The function has been shifted to a different process owner who has no knowledge of calculating the data for the performance measure. **Cross-Training** Cross training does not exists for calculating the performance measure.
Total Contract Savings and Cost Avoidance Provided through DIR Contracts (Cooperative Contracts)	Yes	No	**Training** All individuals involved in the process of generating the performance measure have been performing their function for at least 6 years and are fully knowledgeable of their tasks and responsibilities. **Cross-Training** Cross training exists for all responsibilities related to the performance measure except for the activities of the process owner who extracts the cost avoidance number from the data warehouse and forwards it for entry into the ABEST System. No one is cross trained for this task.
Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services (Data Center Services)	Yes	Yes	**Training** The process owner involved in generating the output for the performance measure is knowledgeable of tasks and responsibilities. **Cross-Training** Cross training exists for calculating the performance measure.

Measure Description	Training Sufficient	Cross-Training Sufficient	Observation
Percent of Customers Satisfied with Data Center Services Contract Management (Data Center Services)	Yes	Yes	**Training** The process owner involved in generating the output for the performance measure is knowledgeable of tasks and responsibilities. **Cross-Training** Cross training exists for calculating the performance measure.
Percent of Customers Satisfied with Capitol Complex Telephone Service (Communications Technology Services)	Yes	No	**Training** The process owner involved in generating the output for the performance measure is knowledgeable of tasks and responsibilities. **Cross-Training** Cross training does not exists for calculating the performance measure.
Percent of Customers Satisfied with TEX-AN (Communications Technology Services)	Yes	No	**Training** The process owner involved in generating the output for the performance measure is knowledgeable of tasks and responsibilities. **Cross-Training** Cross training does not exists for calculating the performance measure.
Average Price per Intrastate Minute on TEX-AN (Communications Technology Services)	Yes	No	**Training** All individuals involved in the process of generating and reporting the performance measure have been performing the function for at least 3 years and are fully knowledgeable of their tasks and responsibilities. **Cross-Training** Cross training exists for all responsibilities related to the performance measure except for the activities of the process owner who actually compiles the raw information from the NetPlus System and makes

Measure Description	Training Sufficient	Cross-Training Sufficient	Observation
			the calculation. No one is cross trained for this task.
Average Price per Toll-Free Minute on TEX-AN (Communications Technology Services)	See Intrastate Information above	See Intrastate Information above	See Intrastate Information above
Number of State Agency Security Assessments Performed (Security-Cyber)	Yes	No	**Training** All individuals involved in the process of generating and reporting the performance measure have been performing the function for at least 1 year and are fully knowledgeable of their tasks and responsibilities. **Cross-Training** Cross training does not exist other than the Chief Information Security Officer who is responsible for the whole department can calculate the performance measure as a back-up.
State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber)	Yes	No	**Training** All individuals involved in generating and reporting the performance measure have been performing the function for at least 1 year and are fully knowledgeable of their tasks and responsibilities. **Cross-Training** Cross training does not exist other than the Chief Information Security Officer who is responsible for the whole department can calculate the performance measure as a back-up.

Inadequate training and cross-training can lead to:

- Calculation and reporting errors
- Late performance measure reporting

Recommendations:

A. The DIR Chief Financial Office (CFO) and the DIR corresponding divisions should ensure that more than one individual can perform all of the tasks involved in the

collection, calculation, review, and reporting of performance measures by assigning back-up staff to the process owners, and cross-training back-up staff.

Management Responses:

The DIR CFO agrees with Internal Audit's recommendation.

The DIR CFO currently does have a back-up for the data entry into the ABEST System. The current backup will be cross-trained on the DIR CFO's procedures for reporting performance measures.

Estimated Completion Date: December 15, 2015

Responsible DIR CFO Management Staff:

- *Chief Financial Officer*

The DIR Communications Technology Services (CTS) agrees with Internal Audit's recommendation.

The DIR CTS will identify a backup and assure proper training is provided.

Estimated Completion Date: December 31, 2015

Responsible DIR CTS Management Staff:

- *Director of CTS*

The DIR General Counsel (GC) agrees with Internal Audit's recommendation.

A back-up person will be assigned and trained to perform the task of collecting information for reporting measures.

Estimated Completion Date: November 30, 2015

Responsible DIR GC Management Staff:

- *General Counsel*

The DIR Chief Financial Office (CISO) agrees with Internal Audit's recommendation.

The CISO is currently interviewing for a position that will, as a part of their duties, serve as an additional backup person for calculating performance measures. Currently, there are two people on the team that can calculate the performance measures, Edward Block and Claudia Escobar. As the performance measures move into the Governance, Risk, and Compliance (GRC) System solution, fewer manual processes will be required for the calculation and, therefore, the measures will be easier for anyone on the team to deliver. We are building automated reporting into the solution, so that anyone on the team will be able to retrieve the report.

Estimated Completion Date: December 31, 2015

Responsible DIR CISO Management Staff:

- *Chief Information Security Officer*

Appendix A

Objective, Scope, and Methodology

Objectives

The objectives of this audit were 1) to determine whether DIR has adequate controls over the collection, calculation, review, and reporting of its key performance measures, and 2) to determine whether DIR is accurately reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST).

Scope

The scope of this internal audit covered the review of business processes for the collection, processing, review, reporting, data retention and supporting documentation for DIR's 10 key performance measures reported in the ABEST System for Fiscal Year 2014 and Year-to-Date Fiscal Year 2015 (September 1, 2013 through February 28, 2015). However, some test procedures were performed as of fieldwork date. This work product was a point-in-time evaluation that cannot address the inherent dynamic nature of subsequent changes to the process and procedures reviewed.

The key performance measures reviewed include:

1. Average Cost per Rule, Guideline, and Standard Produced (Legal)
2. Total Contract Savings and Cost Avoidance Provided through DIR Contracts (Cooperative Contracts)
3. Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services (Data Center Services)
4. Percent of Customers Satisfied with Data Center Services Contract Management (Data Center Services)
5. Percent of Customers Satisfied with Capitol Complex Telephone Service (Communications Technology Services)
6. Percent of Customers Satisfied with TEX-AN (Communications Technology Services)
7. Average Price per Intrastate Minute on TEX-AN (Communications Technology Services)
8. Average Price per Toll-Free Minute on TEX-AN (Communications Technology Services)
9. Number of State Agency Security Assessments Performed (Security-Cyber)

10. State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber)

Methodology

The audit methodology included designing procedures to gain an understanding of DIR's business processes for the collection, processing, review, reporting, data retention and supporting documentation for DIR's 10 key performance measures. In conducting these procedures we analyzed the performance measures supporting documentation, the data input and processing controls and accuracy, information system general controls (access and system availability or problems), and the data output controls.

Sampling Methodology

Auditors used random sampling methodology to select samples of each performance measure's supporting documentation.

Information Collected and Reviewed

1. Performance measures definitions
2. Written procedures
3. ABEST System reports
4. Performance measures tracking sheets developed and maintained by staff from their respective divisions
5. Operational reports provided by contractors
6. Performance measures source documents

Procedures and Tests Conducted

1. Conducted interviews with DIR staff and contractors
2. Reviewed written procedures
3. Reviewed performance measures definitions
4. Re-computed the reported performance measures outcomes
5. Tested the DIR's source documentation for accuracy
6. Determined information system access controls and system availability or problems

Appendix B

Internal Report Distribution

Department of Information Resources (DIR) Board

DIR Interim Executive Director

DIR General Counsel

DIR Chief Operations Officer

DIR Technology Sourcing Office Director

DIR Communications Technology Services Director

DIR Data Center Services Director

DIR Chief Financial Officer

DIR Finance Director

DIR Chief Information Security Officer

External Report Distribution

Texas Office of the Governor

Texas Legislative Budget Board

Texas State Auditor's Office

Texas Sunset Advisory Commission

Appendix C

Systems Utilized in DIR Performance Measure Calculations

Summary of Information Systems Used for Performance Measures

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
Average Cost per Rule, Guideline, and Standard Produced (Legal)	**M**-"Rules Guidelines and Standards Reviewed and Produced" spreadsheet **A**-Timekeeping System download (previously entered in the Salesforce system until March 2015, currently using the CAPPS System)	Spreadsheet houses monthly hourly accrual of staff time that worked on reviewing rules until the point in time where the rule is produced and completed to realize total hours worked on producing the rule. Employees record their time for various purposes.	**Input** -System is only accessed through authorized employee login **Processing** -Validation edits and error messages in the CAPPS System **Review** -No output review
Total Contract Savings and Cost Avoidance Provided through DIR Contracts (Cooperative Contracts)	**M**-Contract Files	Houses contract managers' pricing research and the spreadsheet used to calculate the cost avoidance percentage for each contract.	**Input** -Existence of contract management procedures **Processing** -Use of pricing from reputable cooperatives -Spreadsheet model for computations **Review** -Performance of independent review and approval of contract file contents using a checklist
	A-Salesforce System	The cost avoidance percentage and the date it is determined is entered into the system along with other contract management data that is	**Input** -Use of a checklist indicating whether cost avoidance was correctly dated, calculated, and entered

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
		unrelated to the calculation of the performance measure.	-System accessed only through authorized login **Processing** -Once entered, the cost avoidance percentage remains in the Salesforce system until changed **Review** -There is no output from the Salesforce System once the cost avoidance percentage is calculated; review occurs when the data is entered into the system where it remains until used
	M-Sales Reports	Each month, cooperative contract vendors provide a sales report consisting of a spreadsheet of sales made on each contract.	**Input** -Existence of written sales report processing procedures -All vendors must use a spreadsheet template devised by DIR to standardize the form and content of sales data submitted **Processing** -A database log is maintained to record receipt of sales reports and to log control totals to ensure that all sales have been uploaded to the Data Management Console (DMC) System -Errors are noted and corrected, vendor notified, if necessary **Review** -Sales reports are reviewed for accuracy and compliance with prescribed requirements

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
	A-SAP Business Objects Data Services Management Console	Sales on cooperative contracts are are uploaded to this system, which performs various checks and edits on the data before automatically uploading it to the data warehouse after any errors are corrected. For example, it compares the sales to a list of eligible vendors to generate eligible sales. Sales from ineligible vendors are excluded from the performance measure calculation. The Texas Government Code defines eligible customers who can purchase information technology commodities through DIR contracts and services.	**Input** -Existence of written sales report receipting and uploading procedures -System accessed only through authorized login -Vendor sales reports placed in specific file directory that is uploadable to the DMC System **Processing** -Existence of standard sales report loading script and definitions -System rejects files not meeting predetermined standards -System edit masks to validate data fields such as date, vendor name, and eligible sales **Review** -System generates edit reports that are reviewed for errors, which are corrected before further processing and uploaded to the Data Warehouse
	A-Data Warehouse	The Data Warehouse is a large store of data accumulated from a wide range of sources within DIR and used to produce a broad range of reports and data sets for various purposes. Cost avoidance percentages from the Salesforce System and sales reports from the DMC system are uploaded into the Data Warehouse. A business intelligence interface is used to extract the sales and cost	**Input** -Access controlled through authorized login administered by the DIR's Information Technology Services Division **Processing** -The Data Warehouse stores information for retrieval -Cost avoidance amounts are extracted based upon the cost avoidance percentage in the Salesforce system and vendor sales reports **Review**

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
		avoidance information used in the calculation of the cost avoidance on cooperative contracts performance measure.	-Output is reviewed for changes in customer eligibility -Review performed to identify large credits; vendor contacted if necessary -Output is checked for duplicates, incorrect dates, addresses, wrong vendor information, etc. -Sales report log is used to ensure that sales reports received match the sales reports uploaded to the Data Warehouse
Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services (Data Center Services)	**A**-ServiceFlow	**Service Flow –** application database used in the aggregating, calculating, measuring and reporting of Service Level Agreement (SLA) results.	**Input** -System accessed only through authorized login **Processing** -Data is captured through an automated process **Review** -Data is reviewed by the process owner for anomalies in the recorded results
Percent of Customers Satisfied with Data Center Services Contract Management (Data Center Services)	**A**-Vianovo Survey Tool	**Vianovo (3rd Party Service Provider) –** uses Qualtrics a survey tool that captures the responses from the identified survey recipients.	**Input** -Survey respondents provide responses through the link provided to the survey tool **Processing** -System accessed for reporting purposes only through authorized login **Review** -Data is reviewed by the process owner for anomalies in the survey responses received

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
Percent of Customers Satisfied with Capitol Complex Telephone Service (Communications Technology Services)	**A**-Survey Monkey	**Survey Monkey –** survey tool that captures the responses from the identified survey recipients.	**Input** -Survey respondents provide responses through the link provided to the survey tool **Processing** -System accessed for reporting purposes only through authorized login **Review** -Data is reviewed by the process owner for anomalies in the survey responses received
Percent of Customers Satisfied with TEX-AN (Communications Technology Services)	**A**-Survey Monkey	**Survey Monkey –** survey tool that captures the responses from the identified survey recipients.	**Input** -Survey respondents provide responses through the link provided to the survey tool **Processing** -System accessed for reporting purposes only through authorized login **Review** -Data is reviewed by the process owner for anomalies in the survey responses received
Average Price per Intrastate Minute on TEX-AN (Communications Technology Services)	**M**-Vendor Usage Reports and Invoices (usage refers to voice minutes)	Telecommunications vendors submit reports of usage to DIR over the secured File Transfer protocol (FTP). These files are automatically uploaded the the NetPlus System. Vendor invoices are provided once per month.	**Input** -Written billing plans prescribing the format, frequency, data submission and other requirements for vendor usage reports and invoices -Existence of written procedures over the Telecom accounts payable process -Data submitted over secure FTP site and automatically uploaded to the NetPlus System **Processing**

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
			-Reconciliation of usage between the daily usage reports and the monthly vendor invoice **Review** -Edits are run on the usage data to verify information such as authorization codes phone numbers, and dial plans -Telecom accountant reviews exception reports and makes corrections or disputes the data with the vendor
	A-Filezilla File Transfer Protocol Application (FTP)	Filezilla is a program used to transfer files over the Internet. Telecommunications vendors upload usage data to DIR via secured FTP.	**Input** -FTP site is restricted and secure -FTP files are mapped to corresponding files in the NetPlus system and are automatically ported to the NetPlus System when the vendor uploads the files to the secured FTP **Processing** -Number of files and bytes uploaded to the secured FTP site are reconciled to ensure that all reports were transferred to NetPlus System **Review** -Call detail processing checklist consisting of various edit routines is completed and maintained to validate information uploaded to the NetPlus System from the secured FTP -Error reports generated, reviewed, and errors corrected
	A-NetPlus System	The NetPlus System is DIR's accounts receivable system that receives the usage data	**Input** -Access controlled through authorized login

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
		provided by telcommunication vendors via secured FTP. The NetPlus System captures usage, which is billed to DIR's telecommunications customers and serves as the basis for calculating the telcommunications performance measures.	-FTP files are mapped to corresponding files in the NetPlus system and are automatically ported to the NetPlus System when the vendor uploads the files to the secured FTP -Call detail processing checklist consisting of various edit routines is completed and maintained to validate information uploaded to the NetPlus System from the secured FTP **Processing** -Number of files and bytes uploaded to the secured FTP site are reconciled to ensure that all reports were transferred to the NetPlus System **Review** -Telecommunications accountant reconciles usage data with vendor invoice -Telecommunications accountant reconciles vendor pricing with information in the NetPlus System and the Telecom vendor contract -Error reports generated, reviewed, and errors corrected
Average Price per Toll-Free Minute on TEX-AN (Communications Technology Services)	See Intrastate Information above	See Intrastate Information above	See Intrastate Information above
Number of State Agency Security Assessments Performed (Security-Cyber)	**M**-information is manually entered into a spreadsheet	Master Project Sheet is used to track security assessment status.	**Input** -Access to the Master Project Sheet is restricted to staff in the Chief

Measure Description	System Name\ Type (M=Manual) (A=Automated)	System Description	Input\ Processing\ Review Controls
			Information Security Office (CISO) Division **Processing** -Number of completed security assessments is verified to the spreadsheet **Review** -Statewide Information Security Program Manager verifies the number of completed security assessments indicated on the Master Project Sheet to the calendar invites for closing meetings
State Agency Participation in DIR Provided Security Training Offerings (Security-Cyber)	**A**-On-line registration process **M**-Registration and attendee rosters are manually imported into a spreadsheet	On-line registration systems are used for participants to register for each training session. The electronic rosters are then manually imported into a spreadsheet.	**Input** -Registration is accessed by state agencies participating in training -Access to the master spreadsheet is restricted to staff from the CISO Division **Processing** -Statewide Information Security Program Manager verifies the number of registrants imported to the spreadsheet agrees to the number listed on the registration and attendance rosters **Review** -Data is reviewed by the Statewide Information Security Program Manager for duplicates and deviations from prior periods