



# PERFORMANCE ACCOUNTABILITY

## *Measuring Results*

**Performance accountability measures results.** It focuses on how well policies, plans, programs, and people are performing. Policy planning, strategic planning, and operational planning and budgeting processes all incorporate accountability. Accountability is a basic requirement of mission-driven, results-oriented government. Under the provisions of the Louisiana Performance and Accountability Act (Act 1465 of 1997), performance accountability is mandated as part of performance-based budgeting.



### **Payoffs: The Benefits of Performance Accountability**

Performance accountability provides a measurable basis for demonstrating how government is responding to major issues. It documents results—what taxpayer dollars are buying. Performance accountability allows more accurate assessment of the resources needed to support activities; drives effective allocation of existing resources; and increases credibility when requesting new resources.

Performance accountability supports informed decision making. It bolsters operational and capital outlay planning and budgeting and supports continued strategic planning and policy planning and development.

Performance accountability encourages delegation rather than "micro-management." It frees senior executives for more strategic decision-making and selective intervention, while clarifying

the responsibilities and authority of managers. Staff can manage their own activities to achieve desired results. This motivates employees and makes everyone more accountable.

**If you can't measure it, you can't improve it.** Performance accountability provides an assessment of the effectiveness of policies and programs. It helps policy makers, program managers, and staff make policies and programs work better. Performance accountability informs program managers and staff of customer need and levels of satisfaction. It provides an early warning if things are not going well; it reduces surprises. It identifies problems in systems and processes and helps stimulate solutions to these problems.

**What gets measured, gets done.** Accountability helps managers stay focused on their strategic plan by keeping them aware of progress toward long-range goals and specific objectives. Moreover, it helps managers and staff understand how their efforts contribute to the successful accomplishment of department and program goals and objectives. It supports a flexible results-oriented system that encourages entrepreneurial behavior.

**What gets measured, gets changed.** Performance accountability creates incentives for service providers (state agencies, private sector or contract providers, or grant recipients) to improve performance and services. For example, La. R. S. 39:87.4, provides for a variety of rewards and penalties based on performance. Further, performance accountability improves the way we measure performance; the performance reporting experience identifies better things to measure or better ways of calculating and reporting indicators.

## WHY MEASURE PERFORMANCE?

Management guru Tom Peters says:

- If you don't measure results, you can't tell success from failure.
- If you can't see success, you can't reward it.
- If you can't reward success, you're probably rewarding failure.
- If you can't see success, you can't learn from it.
- If you can't recognize failure, you can't correct it.
- If you can demonstrate results, you can win public support.



"...when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind. It may be the beginning of knowledge but you have scarcely, in your thoughts, advanced the state of science."

- Lord Kelvin



## Basics of Performance Accountability

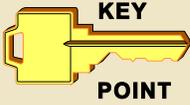
**Performance accountability measures progress and results.** By building in accountability during the strategic planning and policy planning processes, answers to the question "*How do we*

*measure our progress?"* can be found. Accountability involves regular monitoring and periodic review and evaluation of policies, plans, and programs. It examines the extent to which strategies have been implemented, compares actual with expected results, and identifies reasons for and magnitudes of differences between actual and expected results.

**Performance accountability is a means of judging policies and programs by measuring their outcomes against agreed upon standards.** A performance accountability system provides the framework for measuring results--not merely processes or workloads--and organizes the information so that it can be used effectively for making policy, management, and resource allocation decisions.

Performance accountability boils down to two questions:

- *Are we doing the right things?*
- *Are we doing the things right?*



It is also important to know what performance accountability is not.

- ⊘ It is not accounting.
- ⊘ It is not conformance with office rules and regulations.
- ⊘ It is not the traditional idea of quality control (inspecting every product for defects).

## Policy Accountability

**Policy accountability focuses on whether a complex set of state programs and actions is achieving goals and objectives.** Policies (which serve as conceptual "road maps" and reflect aspirations, values, intents, commitments, and priorities) often address issues that cross agency lines. Individual programs can work well while policies fail. For this reason, policy accountability looks at outcomes for whole groups or classes of people, not just for those who take part in a particular program. For example:

- < A policy goal to crack down on drunk drivers could involve state program activities in highway safety, traffic enforcement, alcoholic beverage control, and public education as well as coordination with local law enforcement and judicial programs. Policy objectives might set specific standards for reductions in the number and frequency of alcohol-related accidents and deaths. Policy accountability could measure changes over time in the number and percentage of traffic crashes and highway deaths that are alcohol-related.
- < A policy goal to reduce teen pregnancies could involve programs in health, social services, education, and women's services. A policy objective could target a specific reduction in Louisiana's teen pregnancy rate, particularly when compared to national and regional averages. Policy accountability would monitor changes in teen pregnancy rates throughout the state and identify those activities or combinations of activities that achieve the best results.

Policy accountability requires information that can be gauged against publicly stated objectives. These measurements also may be used to compare the performance of policies in Louisiana to those in other states. Outcome data are interpreted in the context of policy objectives as well as the prevailing conditions (external factors such as economy, demography, and political climate).

## Program Accountability

**Program accountability usually measures outcomes related to a particular program or set of programs.** (A program is a grouping of activities that results in the accomplishment of an objective or set of objectives.) In addition to outcomes, program outputs and operations are assessed. Program accountability is more detailed than policy accountability.

Program accountability looks at both effectiveness (whether or not a program is actually doing what it should be doing and achieving the outcomes desired) and efficiency (whether or not a program is being operated in a productive and timely manner at acceptable cost).

Measures and standards of performance are derived from individual program outcome statements (goals and objectives). These specify the changes desired as a result of program actions. Outcome data track progress toward those desired changes. Program performance measures also look at productivity levels and cost-effectiveness. Program measures (or indicators) may include numbers served, cost of service, quality of service, and other measures.

## Strategic and Operational Accountability

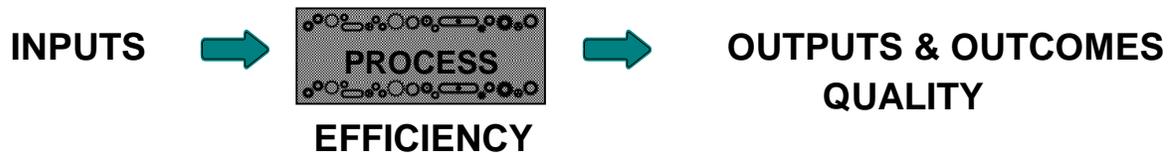
Both policies and programs are incorporated into statewide and agency five-year strategic plans. As a result, progress toward accomplishment of strategic goals and objectives must be tracked. Internally, strategic plans are reviewed annually and a major revision and update occurs every three years. Externally, strategic progress is reported by undersecretaries in their annual management and program analysis reports ("Act 160" reports).

Operationally, departments and agencies track and report annual performance for performance-based budgeting processes. Performance is an integral part of budget requests, primarily in the operational plan. Annual performance standards are developed through the budget development and appropriations processes. Quarterly progress toward annual performance standards is reported by agencies via the Louisiana Performance Accountability System (LaPAS).

More information on these processes and reports is provided in the second part of this chapter.

## Systems Logic and Performance Accountability

Policies and programs are implemented by processes; strategic and operational plans are carried out by program processes. When you break down a process into its component parts, you use "systems logic" to develop a model of how it should work. This form of logic examines factors associated with:



- "Inputs" represent the changes to be made, levels of demand for services, size of a problem, and resources used to provide services and produce desired change.
- "Process" includes the strategies, means, or transactions to provide services and achieve the desired change.
- "Outputs" are the levels of service provided (number of persons served, number of products produced, number of things done, etc.).
- "Outcomes" are the results accomplished or the degree to which a problem is mitigated or resolved or desired changes are actually accomplished.
- "Quality" represents the excellence of the service.
- "Efficiency" is generally a comparison of inputs/outputs or inputs/outcomes—for example, cost per unit produced or turnaround time for process action.

Managers should use metrics to gauge and assess process efficiency, effectiveness, and excellence; diagnose problems; and formulate solutions. For performance accountability, data for each of these categories should be collected, analyzed, and reported.

Performance accountability should be present whether or not performance-based budgeting is occurring. Each department or agency and program should have its own internal performance accountability to support management decision making. Internal performance accountability measures much more than the performance indicators surfaced for performance-based budget decision making.

If your department, agency, or program has not established an internal performance accountability process, you should do so right away. Further, internal performance accountability can be linked to the performance planning and review process for employees.

## Hallmarks of Successful Performance Accountability

Successful performance accountability has the following characteristics:

- ✓ It is built into policy planning and strategic planning processes.
- ✓ It is established and used for internal management and decision making.
- ✓ It is based on a clear understanding of process but focuses on outcomes or results.

- ✓ It uses a balanced set of performance indicators to measure performance.
- ✓ It generates valid, reliable data consistently over time.
- ✓ It includes both internal and external comparisons. It compares internal performance over time; it compares performance against similar programs, activities, or functions in public or private sectors.
- ✓ It reports outcomes regularly and publicly.
- ✓ It has a good feedback system. It quickly conveys information back to managers and front-line employees who can use that information to improve program operations.

## Components of the Performance Accountability Process

The performance accountability process is composed of three components:

- **Defining outcomes:** Identifying the results that are targeted for achievement. This component is linked to the *“Where do we want to be?”* part of policy development, strategic planning, and operational planning processes. In addition, performance accountability, at its highest level, should point toward fulfillment of the organization’s leadership vision and core mission (part of *“Who are we?”*)—the very purpose for which the department, agency, or program was created.
- **Measuring and reporting performance:** Selecting performance indicators, measuring and tracking actual performance, and reporting performance progress. The selection of performance indicators is linked to the *“How do we measure our progress?”* part of policy development, strategic planning, and operational planning processes. Performance measurement, tracking, and reporting answer another management question: *“How do we track our progress?”*
- **Evaluating performance and using results:** Assessing performance and using the results of that evaluation is to improve management and budget decision making, justify the continued existence of state departments, agencies, and programs, and provide performance-based rewards and penalties. This component loops back into policy and plan revision by updating *“Where are we now?”* and *“Where do we want to be?”*.

Detailed descriptions of these components begin on page 8.

Statewide guidelines and mechanisms for performance accountability, as well as guidelines for strategic and operational planning processes, have been designed and implemented by the Division of Administration. These are available on the OPB website (<http://www.doa.la.gov/Pages/opb/pbb.aspx>).

However, Act 1465 further requires the secretary or head of each agency to develop, in consultation with the Legislative Fiscal Office and the Division of Administration (Office of Planning and Budget), a plan for monitoring and evaluating the agency's progress in ensuring that performance data are maintained and supported by agency records. By September first of each fiscal year, the legislative fiscal officer provides the committee with an assessment of those agencies that are deficient in their capacity to execute the requirements of Act 1465 relative to production of performance progress reports.



Performance accountability has limitations:

- It cannot measure the full (direct and indirect) impact of a policy or program; this requires a rigorous experimental design.
- It must be balanced with other considerations, which often fall into the nebulous realm of "public good." Some outcomes of government cannot be measured quantitatively.
- It often cannot satisfactorily measure all the variables that affect outcomes or conclusively attribute specific outcomes to actual program activities; this requires the more in-depth analysis of true program evaluation. (Remember, too, that government is limited sometimes in its ability to influence outcomes.)
- It must sometimes settle for proxy or surrogate measurements because no cost-effective exact measurement is available.
- It can have more cost than benefit if not applied with common sense.
- It may even create some perverse incentives (for example, service providers may ignore more difficult or complex cases and concentrate instead on easier cases in order to keep performance levels high).
- It is wasted if not used.

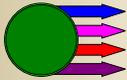
However, these problems can be moderated by balanced use of cost-effective performance measures, careful monitoring of processes, service patterns, and program performance, and continued utilization of periodic program evaluations and performance audits.





## Performance Accountability Process Components in Detail

The following sections present detailed descriptions of the three performance accountability process components—defining outcomes, measuring and reporting performance, and evaluating performance and using results. Examples and “how to” instructions are included.



### Defining Outcomes *“Where do we want to be?”*

Before you can measure performance, you have to have something against which to measure. That is, you must know what outcome is expected in order to measure progress against that outcome. Defining outcomes is related to the management question: *“Where do we want to be?”* Moreover, performance accountability, at its highest level, should point toward fulfillment of the organization’s leadership vision and core mission (part of *“Who are we?”*)—the very purpose for which the department, agency, or program was created.

Outcome statements—broad goals, and specific objectives—are defined during policy planning, strategic planning, and operational planning processes. **Goals are the general end purposes (or results) toward which effort is directed.** Goals establish the direction in which an organization is heading in order to reach a particular destination. **Objectives are specific and measurable targets for accomplishment.** Objectives identify milestones along the way toward accomplishing goals. Both goals and objectives are inspired by the organization's vision, mindful of the organization's mission and philosophy, and based on the organization's current internal situation and external operating environment as well as projections of future conditions.

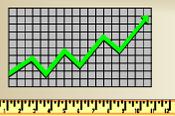
Operation plans, which are guided by and linked to strategic plans, reiterate strategic goals and objectives and propose annual performance standards for the performance indicators related to those objectives.

### Performance Standard

The accountability component of strategic planning is the first step in the development of annual performance standards. **A performance standard is the expected level of performance (value) associated with a particular performance indicator for a particular fiscal year and funding level.** During the strategic planning process, a balanced set of performance indicators is identified. These performance indicators are measured and reported on an annual basis in order to track strategic progress and support both performance-based budgeting and management decision making. Performance standards are proposed during the budget development process and established during the appropriation process. Performance standards are commitments for service

that are linked with the level of funding budgeted/appropriated. See “Performance Standards: Guidelines for Development and Revision” on the OPB website for more information on performance standards.

Procedures for setting strategic goals and formulating objectives are detailed in [STRATEGIC PLANNING](#). Operational planning and budgeting are discussed in [OPERATIONAL PLANNING AND BUDGETING](#). Guidelines for operational planning and budgeting as well as for development and revision of performance standards are available on the OPB website.



## Measuring and Reporting Performance

*“How do we track our progress?”*

To succeed, you have to know how well you are doing. Once outcomes have been defined, measurement of actual performance follows. In both policy planning and strategic planning, accountability is built in by identifying what performance indicators will be used to track progress toward the accomplishment of goals and objectives. Operation plans, which are guided by and linked to strategic plans, set annual objectives and propose performance standards for the performance indicators related to those objectives. This is the *“How do we measure our progress?”* part of these planning processes.

Performance measurement compares actual results with expected results, both strategic and operational. In this way, managers and policy makers are able to evaluate progress toward goals and objectives. They can compare actual performance indicator levels against the annual performance standards set during appropriation. This is the *“How do we track our progress?”* part of the performance accountability process.

Quarterly performance progress reporting is required under the provisions of the "Louisiana Government Performance and Accountability Act" (R. S. 39:87.1 *et seq.* or Act 1465 of 1997, as amended by Act 1169 of 1999). In addition, annual undersecretaries' management and program analysis reports are required under R. S. 36:8 (Act 160 of 1982, as amended by Act 911 of 1995). Further, performance indicators must be included in annual operational plans and other budget request forms.

**HELP**

## HOW TO: Measure and Track Performance

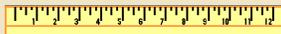
To measure and track performance, it is necessary to:

- identify and select balanced sets of performance indicators to measure progress toward defined outcomes;

- organize to gather performance information; and
- monitor and track performance on a regular basis.

## Performance Indicators

**Performance indicators are the tools used to measure the performance, progress, and accomplishments of policies, plans, and programs.** Performance indicators consist of two parts: indicator name and indicator value. The indicator name describes what you are measuring. The indicator value is the numeric amount or level achieved or to be achieved during a given measurement period.

PARTS OF A PERFORMANCE INDICATOR 	
<b>EXAMPLE</b>	
<u>PERFORMANCE INDICATOR NAME</u>	<u>PERFORMANCE INDICATOR VALUE</u>
Number of clients served	3,250



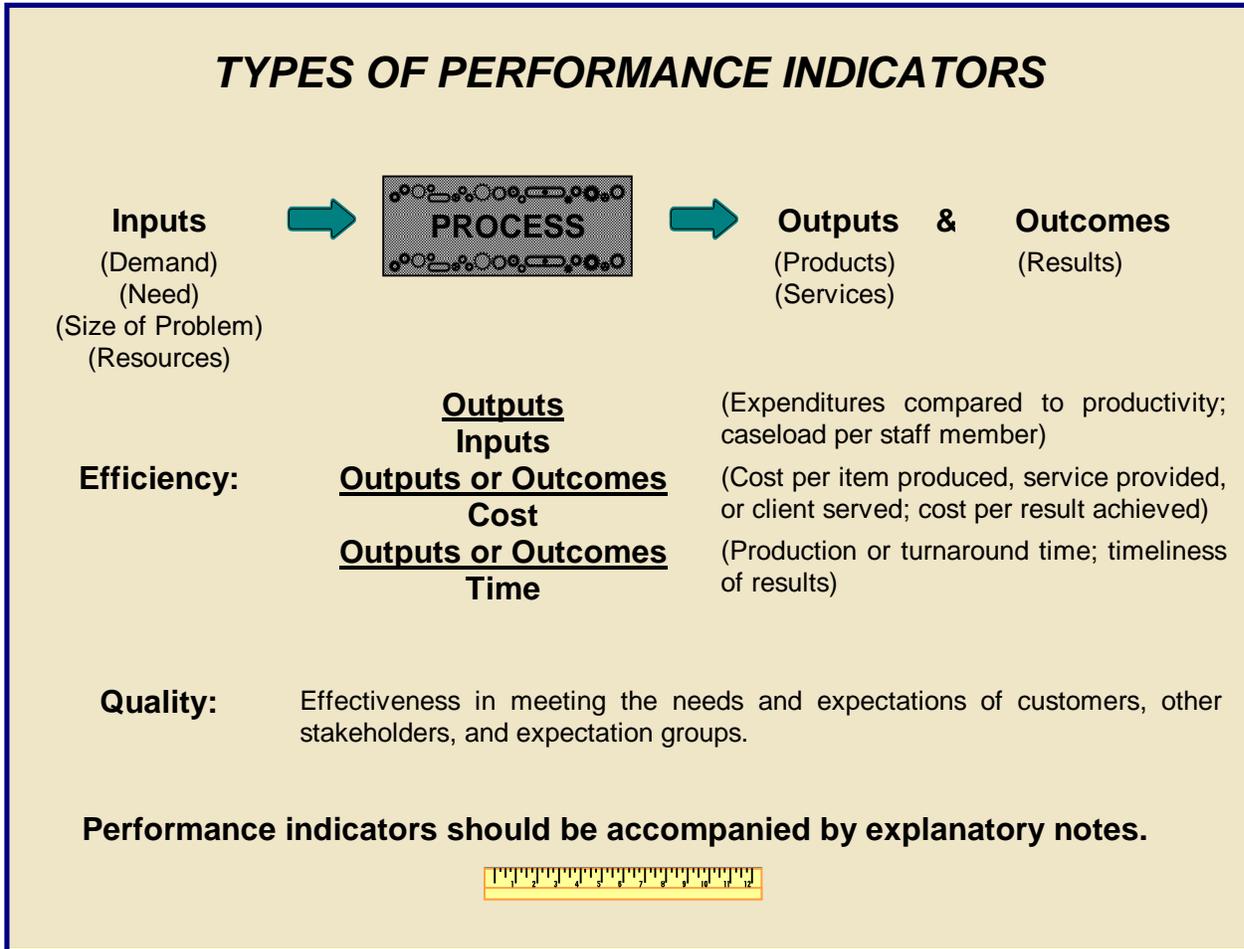
**NOTE:** Strategic planning involves the identification of a balanced set of performance indicators that will be used to measure progress. Although baseline data and projections (including values for the performance indicators identified for accountability) are necessary for formulation of goals and objectives, the accountability component of strategic planning process does not require the inclusion of forecasted values for the five years of the strategic plan. Indicator values (both actual and projected) are reported during the operational planning and budgeting process.

## Types of Performance Indicators

Louisiana's management processes use five types of indicators to measure performance:

- **input**
- **output**
- **outcome**
- **efficiency**
- **quality**

These indicators are based on systems logic (how a process works) and each type is designed to answer a different question or provide a different perspective regarding performance. Together, these indicators provide a balanced view of performance.



**Input indicators measure resource allocation and demand for services.** They identify the amount of resources needed to provide a particular service. Inputs include labor, materials, equipment, facilities, and supplies. They also can represent demand factors such as characteristics of target populations. Input indicators are useful in showing the demand for a service, the total cost of providing a service, the mix of resources used to provide a service, and the amount of resources used for one service in relation to other services.

Input indicators are often paired with output and outcome indicators to develop an input/output comparison. For example, a comparison of input resources with output volume may generate a “cost per unit of service” measure. Input indicators provide context for other indicators. For example, for an activity that processes permit applications, an input measure for number of permit applications received illuminates performance measures for output (number of permit applications processed), efficiency (turnaround time for processing permit applications), outcome (resulting improvement in the performance of permitted entities), and quality (degree of error-free processing of permit applications).

### INPUT INDICATORS

#### E X A M P L E S

- Budget allocation
- Number of positions in Table of Organization (T.O.)
- Number of full-time equivalent (FTE) employees
- Current illiteracy rate in Louisiana
- Current incarceration rate in Louisiana
- Number of clients eligible for program
- Number of customers requesting service
- Number of environmental permit applications received
- Number of miles of roads in state system
- Current highway death rate
- Current state ranking as national and international tourist destination

**Output indicators measure quantity.** They measure the amount of products or services provided or number of customers served. Output indicators are volume-driven. They focus on the level of activity in providing a particular program. Transaction numbers and workload measures, which are designed to show how staff time is allocated to respond to service demand, are most commonly reported. Output indicators are useful for resource allocation decisions (particularly for calculation and justification of workload adjustments in operating budget requests). They provide important contextual information when coupled with other indicators. For example, if a reduction in turnaround time for processing permit applications is the desired result, then it is important to know not only how many permit applications are received (or are anticipated to be received) but how many were actually processed. If a decrease in illiteracy among adults is the desired outcome, then it is important to know how many adults enrolled in and graduated from an adult basic literacy program.

However, output indicators are limited because, unless the desired outcome is an increase in output, they do not indicate whether program goals and objectives have been accomplished; nor do they reveal anything about the quality or efficiency of the service provided.

### OUTPUT INDICATORS

#### E X A M P L E S

- Number of students enrolled in an adult education course
- Number of pupils enrolled in state public schools
- Number of inmates housed in state correctional facilities
- Number of persons served by charity hospitals
- Number of vaccinations/inoculations given to children
- Number of environmental permit applications reviewed
- Number of miles of roads resurfaced by state
- Number of miles patrolled by Louisiana State Police
- Number of in-state and out-of-state tourists per year

**Outcome indicators measure success.** They measure results and gauge program effectiveness. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved. Outcome indicators demonstrate return on investment. Policy and budget decision makers are generally most interested in outcome indicators. Outcome

indicators generally benefit from the contextual information conveyed by other types of indicators. For example, to gauge performance for outcome measures related to change in the number of accidents and deaths related to liquefied petroleum gas, it is important to see measures that reflect the means used to achieve the change—number of inspections, number of violations cited, and so forth. Without a clear, complete performance picture, it becomes difficult to determine whether the outcome is a result of agency strategy and initiative, external factors, or serendipity. Outcome indicators are the keystone of a balanced set of performance indicators but must be supported by appropriate indicators related to input, output, efficiency, and quality.

<b>E X A M P L E S</b>	<b>OUTCOME INDICATORS</b>	
	▪ Number of persons able to read and write after completing an adult education course	
	▪ High school graduation rate and ACT scores	
	▪ Corrections recidivism rate	
	▪ Mortality and recovery rates for index procedures at state charity hospitals	
	▪ Reduction in incidence of communicable disease	
	▪ Percentage change in toxic air and water emissions	
	▪ Percentage change in air and water quality	
	▪ Condition (safety and appearance) of highways maintained by state	
	▪ Percentage of highways providing satisfactory levels of peak hour service	
	▪ Percentage change in highway death rate	
	▪ Percentage change in state ranking as national and international tourist destination	

**Efficiency indicators measure productivity and cost-effectiveness.** They reflect the cost of providing services or achieving results. Cost can be expressed in terms of dollars or time per unit of output or outcome. Efficiency measures can also portray the relationship of inputs to outputs or outcomes. Ratios are sometimes used to express these relationships. Efficiency indicators can gauge the timeliness of services provided. Efficiency measures are important for management and evaluation. They help organizations improve service delivery. Often they are used to justify equipment acquisitions or changes to systems or processes. For example, automation of systems and other applications of technology may reduce processing times and lower operating costs.

Measuring “cost per unit of service” is critical for many programs and activities. Yet this indicator is frequently omitted from balanced sets of performance indicators. If this indicator is not reported, it is tempting for those reviewing and assessing performance for purposes of budget decision making to make a simple calculation of input (budget) divided by output (number of people served or number of services provided) in order to arrive at a cost per unit figure. Unfortunately, this calculation may exclude important variables that affect cost per unit. To forestall such ad hoc calculations and ensure that all relevant factors are incorporated into a cost per unit measure, managers should develop, document, and report a meaningful cost per unit measure. Further, external comparisons of cost per unit of service are prized by budget decision makers and should be valued by program managers.

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## EFFICIENCY INDICATORS



- Cost per student enrolled in an adult education course
- Average expenditure per pupil in state public schools
- Average cost per day per state inmate.
- Bed occupancy rates at charity hospitals
- Cost per vaccination/inoculation given
- Number of miles patrolled per state trooper assigned to traffic enforcement
- Average processing time for environmental permit applications
- Average cost per mile for construction or maintenance of state highways
- Revenue return on every advertising dollar spent on promoting tourism
- Number of clients receiving services compared to number of clients eligible for service

**Quality indicators measure excellence.** They reflect effectiveness in meeting the expectations of customers, stakeholders, and expectation groups. Measures of quality include reliability, accuracy, courtesy, competence, responsiveness, and completeness associated with the product or service provided. Lack of quality costs money. For example, resources devoted to performing rework, correcting errors, or resolving customer complaints can also be important to track. Quality measures are sometimes considered to be outcomes. However, quality indicators have been separately defined to reflect the importance of quality improvement.

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## QUALITY INDICATORS



- Number of defect-free reports as a percentage of total number of reports produced
- Percentage accuracy of information entered into a database
- Compliance with error tolerance levels established by administrative guidelines
- Accreditation of institutions or programs
- Number of corrections institutions under court supervision
- Costs associated with tort judgments against the state
- Awards or recognition for service excellence
- Number of customer/client complaints filed

Sometimes performance indicators fall into more than one category. For example:

- Some outcome indicators are also quality indicators. If your objective is to retain an initial accuracy rate for disability determination that is higher than the national average, then performance would be measured by comparing your rate with the national average. The result of this comparison would reflect outcome as well as quality.
- Some output indicators are also outcome indicators. If your objective is to increase the number of clients served by 1,000, then performance would be gauged by the change in number of clients served. "Number of clients served" would usually be considered an output indicator, but in this case, it could be considered an outcome indicator as well. (An even better solution to this particular situation would be to target a percentage change in the number of clients served and to use "number of clients served" as an output indicator and "percentage change in number of clients served" as an outcome indicator.)

- In general, the focus of the objective (that is, whether the objective is output-oriented, outcome-oriented, efficiency-oriented, or quality-oriented) affects the taxonomy of its performance indicators.

**It is important to develop a balanced set of meaningful indicators to measure performance.** The matrix on the following page shows examples of each indicator type for various kinds of programs. At a minimum, you must have at least one indicator of outcome, efficiency, or quality as well as indicators of input and output, as necessary and relevant, to provide a clear view of progress toward an objective.

**PLANNING****POINTER**

There is no “ideal” number of indicators in a balanced set. A simple guide is: Use the number and mix of indicator types and levels that you need to tell a clear, convincing performance story. Keep in mind what customers and stakeholders want to know about your services and how you can demonstrate return on investment with hard data.



**REMEMBER:** The primary point at which performance indicators are developed is the strategic planning process. However, depending upon events and circumstances, it is possible that new or revised sets of performance indicators may be crafted at other points in the management cycle.

**Explanatory notes are a valuable companion to performance indicators.** They establish context and fill in background. Explanatory notes identify input variables, program variables, and external variables and explain how those variables affect performance. They provide a link among indicators that should be used in tandem.

- In strategic planning, performance indicator validation documentation entries usually fulfill the role of explanatory notes.
- Explanatory footnotes are valuable as part of the operational planning and budgeting process to explain both actual and proposed performance.
- In quarterly performance progress reports filed by agencies in the Louisiana Performance Accountability System (LaPAS), explanatory notes are required when there is a variance of greater than 5% between performance standards or targets and actual performance values occur.

## Performance Indicator Levels

Performance indicators may be key (K), supporting (S), or general performance information (GPI or G) level.

EXAMPLES OF PERFORMANCE INDICATORS						
PROGRAM	INPUTS	OUTPUTS	OUTCOMES	EFFICIENCY	QUALITY	
ADULT LITERACY PROGRAM	Number of adults enrolled in literacy courses Louisiana's current illiteracy rate	Number of students completing adult literacy course	Number of students able to read at the sixth grade level upon completion of course Percentage reduction in rate of	Cost per student Number of students completing course compared to number of students enrolled	Percentage of students satisfied with the instructor and content of the course	
REHABILITATION SERVICES PROGRAM	Number of clients eligible for service	Number of clients served	Percentage of clients rehabilitated Percentage increase in incomes of rehabilitated clients	Cost per client served Number of clients rehabilitated compared to number of eligible clients	Average satisfaction rating for courteous service	
REGULATORY/ PERMITTING PROGRAM	Number of permit applications received	Number of permits issued	Number of entities in compliance with requirements	Processing time for permit applications Cost per permit issued	Percentage reduction in processing errors	
EMPLOYMENT PLACEMENT PROGRAM	Number of employment counselors Louisiana's current unemployment rate	Number of people served	Percentage of people placed in jobs above minimum wage Percentage reduction in unemployment rate	Number of people served per number of employment counselors Counseling hours per person served	Percentage of people indicating that counseling was responsive to their needs	

- **Key** indicators are included in the executive budget supporting document and the general or ancillary operating appropriations bill. For key indicators, performance standards are established during the appropriation process. Key indicators are tracked for accountability purposes in the Louisiana Performance Accountability System (LaPAS); interim targets and actual performance must be reported in each quarterly performance progress report. Key indicators generally are measures of outcome, measures related to big ticket items or hot button issues, and/or especially valued or expressly demanded by decision makers.
- **Supporting** indicators are included in the executive budget supporting document but not in the general or ancillary operating appropriations bill. For supporting indicators, performance standards are established during the appropriation process. (Unless they are modified during the appropriation process by language amendments in the bill, the performance standard values proposed in the executive budget supporting document become enacted performance standards.) Supporting indicators are tracked in LaPAS, but interim targets and actual performance must be reported in only second quarter (midyear) and fourth quarter (yearend) performance progress reports.
- **General performance information (GPI)** indicators provide data on an actual basis only. GPI indicators are reported in the executive budget supporting document and may appear in the general or ancillary operating appropriations bill for information only. No performance standards are developed or enacted for GPI indicators. GPI indicators are reported in LaPAS so that history may be built. However, only actual data are reported at second quarter (prior year actual) and fourth quarter (yearend actual) progress reports.

## Characteristics of Valuable Performance Indicators

Valuable performance indicators are:

- ✓ **Meaningful and relevant.** They are significant and relate directly to mission, goals, and objectives. They are valid measures of progress toward the objectives they accompany.
- ✓ **Balanced.** They include as many different types and of indicators as are appropriate to provide a clear picture of performance. Tell a clear performance story supported by data.  
  
**Clear and simple.** They are unambiguous and can be understood easily. Professional or technical terms, acronyms, and jargon must be defined when used in relation to performance indicators. This avoids misinterpretation. They are calculated and presented in a straightforward, uncomplicated manner. They use standard statistical or quantitative methods (or have clear explanations of nonstandard calculations) and are illustrated with tables, charts, or graphs that are easy to interpret.
- ✓ **Comparable.** They include both internal and external comparisons. They compare the program's current performance with performance in previous years; they compare the program with similar programs operated in other states or the private sector.
- ✓ **Credible.** They are based on accurate and reliable data. They stand up to audit.

- ✓ **Timely.** They are collected and reported on a timely basis. Time lag can limit usefulness.
- ✓ **Cost-effective.** They have acceptable data collection and processing costs.
- ✓ **Consistent and reliable.** They are measured or calculated, collected, and reported in the same way and on a regular basis. Their definitions, methods of calculation, source, and frequency are consistent and reliable.

## Identifying and Selecting a Balanced Set of Performance Indicators

Each policy or program objective (whether strategic or operational) must be accompanied by a balanced set of performance indicators. To identify a balanced set of performance indicators:

1. **Review the objective.** What outcome is sought? If an objective meets the "SMART" characteristics, then it will cite a specific, measurable target. When this is the case, indicators are often obvious. For example, an objective to increase or reduce an output or outcome by a particular amount or percentage would have indicators measuring the output or outcome level as well as the amount or percentage change achieved.

Some objectives target changes in particular rates (unemployment rate, highway death rate, infant mortality rate, or incarceration rate); others seek to improve particular scores or rankings (American College Testing scores and national or regional rankings for economic development or average teacher salaries). Again, for these objectives, identification of key performance indicators is relatively easy.

2. **Consider variables that may influence the targeted outcome.** Are these variables measurable? Should they be included as performance indicators or explanatory notes?
3. **Be sure you understand the process by which services are provided.** Use system logic to identify the inputs, outputs, outcomes, efficiency comparisons, and quality issues associated with a program or service. Quantify these components and determine which of them should be reported in order to provide a clear, balanced picture of performance.
4. **Determine the evaluation method(s) that will be used to measure the efficiency and effectiveness of the agency, program, or service.** Program evaluation? Performance audit? Management audit? Internal audit or evaluation? Peer review? Sunset review? What information is required for the evaluation method(s) to succeed?
5. **Decide what information is needed to gauge progress, determine whether anticipated results are being achieved, and tell your performance story.** Is this information available? If not, what would it take to get the information? Must a proxy or surrogate indicator be substituted?
6. **Review performance information that is collected already.** What information is already available? How is it collected, analyzed, and reported?

7. **Benchmark for best measurement practices.** Find out how other organizations (in-state or out-of-state, public or private sector) measure similar programs or activities. Look at the sample service efforts and accomplishments measurements developed by the Governmental Accounting Standards Board for certain functional areas of state and local government. If your program is federally funded, then review the program performance information that must be reported to the federal government.
8. **Find out what information is most valued by key decision makers and other interested parties.** For example, what information is repeatedly requested by agency managers, OPB analysts, legislative staff analysts, and legislative committee members? What information is sought routinely by customers and other stakeholders? By the media? By the public?
9. **Think about how the indicator will be utilized—for internal management and accountability and/or for performance-based budget decision making.** Which indicators should remain as internal accountability measures; which should surface for budget decision making?

Managers must apply metrics (performance measures) to understand, analyze, and improve their processes. Many agencies have collected volumes of process or transactional data for years. Much of this data remains important for good program management; and program managers should select and use as many performance indicators as they need to ensure quality service delivery. This information should be tracked and used by program managers to improve program processes, products, and services.

However, not every metric should be surfaced for strategic planning and performance-based budgeting. Program managers should avoid the trap of “shotgun” or “kitchen sink” reporting, in which too many measures are suggested for reporting upward. This can signify a lack of clarity about the program mission, goals, and objectives. Instead, managers should select a balanced set of key performance indicators for reporting progress toward goals and objectives.

Remember that much of the management-level performance information will be needed to support or explain the balanced set(s) of performance indicators used to measure strategic (or operational) performance progress. (The blank matrix on the following page may help.) Use the performance indicator documentation sheet on page 23 to provide the performance indicator documentation required by statute.

If an indicator will be used for performance-based budget decision, think about the kinds of indicator levels used. Should the indicator be reported as a key, supporting or general performance information indicator?

PERFORMANCE INDICATOR MATRIX						
Program:		Date:				
GOAL:						
	INPUT	OUTPUT	OUTCOME	EFFICIENCY	QUALITY	
Objective 1:						
Objective 2:						
Objective 3:						

**10. Generate an initial list of indicators, then review and compare.** Potential indicators should be compared on a number of factors:

- **Validity:** Which indicators provide the most direct and accurate measure? If a proxy indicator must be used, what is the best surrogate measure? If several sources exist, which source is the most reliable?

**PLANNING**



**POINTER**

Sometimes available indicators do not measure exactly what decision makers (including legislators), managers, and the public want to know. It may be cost-prohibitive, impractical, or flatly impossible to generate the exact information desired. So proxy or surrogate indicators must be substituted. For example, completion of a specified number of school grades is not exactly the same thing as literacy. However, literacy is often expressed in terms of the ability to read and comprehend at a particular grade level.

If it is necessary to settle for a proxy or surrogate indicator, be sure that a proxy indicator is as close to the real thing as possible. This leads to the issue of "apples versus oranges" for comparison purposes.

- ☞ When you compare programs that are similar in most facets but have some differences, you may have a "Macintosh apple vs. Granny Smith apple" case rather than a real "apples versus oranges" case. You might be able to compare the entire program with explanatory footnotes documenting minor differences. For example, most states have combined probation and parole functions. Some have separate probation and parole function; a few have one but not the other. However, a comparison of caseloads and costs for probation and parole is possible when these differences are footnoted.
- ☞ When you compare programs that have major differences in some activities but have one activity in common, you can make a valid comparison on that common activity. For example, state police functions in various states may vary greatly. However, all carry out a traffic enforcement program. Therefore, it is possible to make a valid comparison of traffic enforcement figures for Louisiana State Police with those of other state police organizations.
- ☞ Even when you compare programs that share similar purposes but have major differences in the way they carry out those functions, it is still possible to glean meaningful comparisons—as long as you note the dissimilarities that should be taken into account. For example, human resource management tends to be more centralized in the public sector than in the private sector. This is a major factor influencing the number of human resource management staff per employees covered by the system and the cost per employee covered by the system. However, since this difference is known and can be factored into a comparison of public and private sectors, that comparison can still yield valuable information.

- **Clarity:** Which indicators are most easily understood by decision makers, program managers, and the public?
- **Timeliness:** Which indicators provide the most current information? How often and how quickly are the data gathered, analyzed, and reported?
- **Comparability:** Which can be compared across programs, among states, or with the private sector with a high degree of compatibility? Which have a history of collection and use internally?

- **Consistency and Reliability:** Which indicators are (or can be) gathered consistently year after year? Are the sources, definitions, and methods of measurement reliable? Which indicators have the most reliable and standard methods of calculation?
- **Cost:** Which indicators are efficient and cost-effective to gather and analyze? Talk with data specialists about the technical side of data collection and analysis for particular indicators.
- **Utility:** How are indicators used for internal management and accountability? Which are surfaced for external reporting and performance-based budget decision making? Which indicators are used for both management and budget decision making?

Performance indicator documentation sheets (see page 23) aid this comparison.

11. **Select balanced sets of performance indicators and identify them in your strategic plan.** After reviewing and comparing potential performance indicators, identify those indicators that are needed to provide a clear, balanced picture of performance progress. A list of performance indicators should be part of the strategic plan document.

## Presenting Performance Indicators in the Strategic Plan

Since the accountability component of the strategic planning component is concerned with the identification of the performance indicators that will be used to track performance progress, it is not necessary to include forecasted values for the five years of the strategic plan. Instead, list the names of the performance indicators that are to be used and provide the required validation/documentation for your indicators.

This does not mean that you should be unconcerned with performance indicator values altogether. Baseline data and projections (including values for the performance indicators identified for accountability) are necessary for formulation of goals and objectives. Also, during the process of selecting performance indicators, you may identify new indicators for which historical data should be gathered and forecasts should be made.

Agencies are required by statute to submit documentation as to the validity, reliability, and appropriateness of each performance indicator, as well as the method used to verify and validate the performance indicators as relevant measures of each program's performance. Additionally, each agency must indicate how each performance indicator is used in management decision making and other agency processes.

## Reviewing and Updating Performance Indicators

Balanced sets of meaningful performance indicators evolve and improve with time. Review performance indicators on an ongoing basis (usually as part of strategic planning review) and make changes based on experience. To review and update performance indicators, consider:

## PERFORMANCE INDICATOR DOCUMENTATION



**Program:**

**Objective:**

**Indicator Name:**

**Indicator LaPAS PI Code:** (Cite LaPAS PI Codes for indicators that have reported in LaPAS anytime past or present; indicate "New" for indicators that have never been reported in LaPAS.)

**Address the following:**

1. **Type and Level:** What is the type of the indicator? (Input? Output? Outcome? Efficiency? Quality? More than one type?) What is the level at which the indicator will be reported? (Key? Supporting? General performance information?)
2. **Rationale:** What is the rationale for the indicator? (Why was this indicator selected? How is it a valid measure of performance targeted in this objective? How does it help tell your performance story?)
3. **Use:** How will the indicator be used in management decision making and other agency processes? Will the indicator be used only for internal management purposes or will it also surface for performance-based budgeting purposes?
4. **Clarity:** Does the indicator name clearly identify what is being measured? Does the indicator name contain jargon, technical terms, acronyms or initializations, or unclear language? If so, clarify or define them.
5. **Validity, Reliability and Accuracy:** Has the indicator been audited by the Office of the Legislative Auditor? If so, with what result? If not, how can you assure that the indicator is valid, reliable, and accurately reported?
6. **Data Source, Collection and Reporting:** What is the source of data for the indicator? (Examples: internal log or database; external database or publication.) What is the frequency and timing of collection and reporting? (For example: Is the information gathered on a monthly, quarterly, semi-annual, or annual, basis? How "old" is it when reported? Is it reported on a state fiscal year, federal fiscal year, calendar year, school year, or other basis? Is frequency and timing of collection and reporting consistent?)
7. **Calculation Methodology:** How is the indicator calculated? Is this a standard calculation? (For example, highway death rate is the number of highway fatalities per 100,000,000 miles driven. This rate is a standard calculation used by the National Highway Traffic Safety Administration.) Provide the formula or method used to calculate the indicator. If a nonstandard method is used, explain why. If this indicator is used by more than one agency or program, is the method of calculation consistent? If not, why not?
8. **Scope:** Is the indicator aggregated or disaggregated? (Is it a sum of smaller parts or is it a part of a larger whole? Examples: If the indicator is a statewide figure, can it be broken down into region or parish? If the indicator represents one client group served by a program, can it be combined with indicators for other client groups in order to measure the total client population?)
9. **Caveats:** Does the indicator have limitations or weaknesses (e.g., limited geographical coverage, lack of precision or timeliness, or high cost to collect or analyze)? Is the indicator a proxy or surrogate? Does the source of the data have a bias? Is there a caveat or qualifier about which data users and evaluators should be aware? If so, explain.
10. **Responsible Person:** Who is responsible for data collection, analysis, and quality? How can that person or organization be contacted? Provide name, title, and all contact information (including telephone, fax, and e-mail address).

**(Use as many pages as necessary to fully respond to these documentation items. Be sure that each sheet carries the name and, for existing performance indicators, the LaPAS PI Code. )**

- What adjustments, if any, should be made to the indicators currently used?
- What recent developments will influence current performance indicators? Have better data sources been found? Have new databases come on line? Have decision makers asked for new or more data?
- What problems have been encountered in trying to measure performance?

This review is not a license to switch or change performance indicators willy-nilly. Once good indicators have been identified and refined, consistency becomes a prime factor. Collection and reporting of consistent data allow managers and evaluators to gain a better understanding of program performance over time. If it makes sense to change an indicator (particularly one that has been collected and reported for a long time) or the way it is calculated, make a note (for the record) of why the indicator was changed.



**REMEMBER:** During strategic planning, when you identify and select performance indicators to measure progress, you are committing to the use and reporting of those indicators over the lifetime of the strategic plan. For those indicators that are to be used and reported as part of performance-based budgeting, you must be prepared to report those indicators in your operational plans and LaPAS for five years.

There must be a compelling reason to change performance indicators during the lifetime of a strategic plan. Such changes must be justified and should be discussed with other users of those data before changes are implemented.

For information on the August 15<sup>th</sup> Performance Adjustment Request process, in which agencies may request modifications to enacted performance information, see page 35.

## Organizing to Gather Appropriate Information

During the identification and selection of performance indicators, consider:

- What information do we routinely gather and does it fit our needs?
- What system do we use for gathering information? Does it produce the information we need?
- What information would better meet our needs and what would it take to get it?
- What are the constraints to change in data collection? (Money? Technology? Tradition? Politics?)

When both available or proxy indicators are not sufficient, it may be necessary to change the way data are collected—to establish new databases, sort or analyze existing data differently, gather comparative data from other states or programs, and/or to find new data sources.

Be sure to include your organization's information systems and database managers in the development of performance indicators. Data specialists can provide needed information about the technical side of data collection and analysis. This information may influence the selection of indicators.

## **Monitoring and Tracking Performance**

The whole idea of Managing for Results is to use results to manage. To do that, performance must be monitored and measured in order to find out how well policies, plans, and processes are working. If, for example, the results of measurement are good, then managers and staff can build upon that good foundation, use it as a springboard for innovation, and aim for continuous improvement. If results are bad, then they can look for ways to solve problems and improve processes.

Performance-based budgeting requires that performance be monitored in order to compare actual performance with performance standards established in the budget development and appropriation processes. In order to comply with this mandate, each department, agency, and program should set up a routine and method for monitoring and reporting performance internally.

Tracking performance is generally a bottom-up process. The person or team responsible for actual production or service delivery is the first line in the monitoring process. Information is fed up to the program manager, who, in turn, reports to upper management. Managers should use action plans to assign responsibilities and set timelines. Action plans are part of the strategic planning process but can be put into place whenever needed in the management cycle. Action plans can then be tracked for progress. (See a sample action plan format and sample format for tracking action plans on the following page. These are just samples; managers may develop formats that work best for them.)

Since performance-based budgeting requires quarterly performance progress reporting, most departments and agencies have designated coordinators who collect operational performance data from program managers for review and approval by designated agency approval authorities. (Information on the performance progress reporting process begins on page 40.)

Since formal external performance reporting is required on a quarterly basis, most departments, agencies, and programs monitor performance on that basis. For internal program management, some managers may prefer to monitor action plan and/or operational plan progress on a more frequent basis. This is OK, as long as monitoring and reporting on status do not become onerous or counterproductive.

**SAMPLE FORMAT FOR ACTION PLANS**

**PROGRAM:**  
**DATE:**

<b>I GOAL:</b>				
<b>I.1 OBJECTIVE;</b>				
<b>I.1.1 STRATEGY:</b>				
<b>Person (s) Responsible for Strategy:</b>		<b>Strategy Timeframe:</b>		<b>Strategy Cost:</b>
Action Plan Steps		Person(s) Responsible	Time Frame	Resources Needed
1.				
2.				
3.				
4.				
5.				

**SAMPLE FORMAT FOR TRACKING ACTION PLANS**

**PROGRAM:**  
**DATE:**

<p><b>I GOAL:</b></p> <p><b>I.1 OBJECTIVE;</b></p> <p><b>I.1.1 STRATEGY:</b></p> <p><b>Person (s) Responsible for Strategy:</b></p> <p><b>Strategy Timeframe:</b></p>		
Action Plan Steps	Status	Comments
1.		
2.		
3.		
4.		
5.		

**STATUS CODES: OS - On Schedule    AOS - Ahead of Schedule    DL - Delayed    CAN - Cancelled    PS - In the Planning Stage**

**PLANNING****POINTER**

Avoid accountability overkill. Overmonitoring wastes time and adds unnecessary stress to the work environment. Keep tabs on performance by “walking around,” “listening” to front-line employees, and requiring a minimum of written documentation. Contrary to popular opinion, government employees don’t get paid by the pound for paperwork generated.



**NOTE:** Some programs are accountable to multiple entities, each of which may utilize a different accountability time frame. For example, a program that receives both state and federal funds may be required to submit performance information to the state on a state fiscal year basis (July through June) and to the federal government on a federal fiscal year basis (October through September). By collecting performance data on a quarterly—or even monthly—basis, such a program can aggregate the data to suit various review agencies.

## Customer Surveys

One of the most overlooked and underused tools for monitoring performance in state programs is the customer survey. To find out how well a program is delivering services, ask the recipients of those services. However, that to be meaningful, customer surveys must be well planned and designed, scientifically valid, and auditable.

The identification of customers and other stakeholders as well as the consideration of their needs and expectations is part of Louisiana’s strategic planning process. Customer surveys may be used as part of the internal/external assessment component of strategic planning; they may be built in for accountability as well. In addition, customer identification and surveys are included in the development of customer service plans required by Executive Order 97-39.

**GUIDELINES**

Minnesota's Office of the Legislative Auditor developed guidelines for state agency customer satisfaction surveys. If you elect to conduct customer services, use these guidelines:

### 1. Plan, test, and document the survey process.

- Conduct customer satisfaction surveys for purposes that are clearly stated and designed to improve services to the public.
- Assign and supervise trained staff to be responsible for the survey.
- Follow standard, scientifically valid methods to minimize errors and other potential problems.
- Identify a method to collect data, usually by mail or telephone, best suited to the agency’s information needs.
- Develop and pretest a set of standard questions.
- Specify how customers will be selected from the customer list.

- Devise methods to maximize the percentage of participants who complete the questionnaire.
- Ensure that appropriate techniques are used to obtain high quality data from respondents.
- Document procedures followed in the course of the survey, data processing, analysis, and presentation of results.

**2. Identify customers and determine survey distribution.** Customers of government include anyone who receives or uses the services of a government program or whose success or satisfaction depends upon the actions of a department, office, institution, or program. (Customer identification is required as part of the strategic planning process. For information on customer identification, see [STRATEGIC PLANNING, Part II.](#))

- Develop a list of those who have received services that are the subject of the survey.
- Select all customers from the list or select a random sample of customers large enough to provide accurate estimates of satisfaction.
- Try to obtain responses from the greatest percentage of those selected and check to ensure that those who respond are representative of customers receiving services being studied. This adds credibility.

**3. Construct and ask questions.**

- Write clear questions and response options.
- Allow for various degrees of satisfaction or dissatisfaction.
- Ask about several aspects of customer satisfaction during a specific time period.
- Expect only moderate knowledge and recall of specific services.
- Use efficient, well-established data collection methods.
- Treat respondents respectfully.
- Encourage voluntary participation.
- Confirm that respondents are customers.

**4. Edit and archive data.**

- Make every attempt to ensure that data are technically error-free.
- Justify any changes to original data.

- Make it possible for others to independently confirm the results later. Remember that surveys and their results are subject to audit.

#### **5. Analyze data and results. Explain the results of the analysis.**

- Objectively analyze all relevant, usable customer satisfaction data.
- Attempt to explain unexpected or unusual results.
- Ensure that published data are consistent with survey results.
- Interpret results with the appropriate level of precision and express the proper degree of caution about conclusions that can be drawn from results.
- Make note of possibly significant problems and limitations. Disclosures limit misunderstandings.

Some of these steps are best conducted by staff with statistical or survey research training; others amount to administrative duties that clerical staff can complete under routine supervision.

End of HELP Topic

**HELP**

## **HOW TO: Report Performance**

Although the use of performance information is woven throughout Louisiana's management processes, there are three major formal venues for external performance reporting:

- Operational Planning and Budgeting (executive budget development, appropriation, performance adjustment process, and budget control process);
- Quarterly performance progress reports, using the Louisiana Performance Accountability System (LaPAS); and
- Annual undersecretaries' management and program analysis reports (Act 160 reports).

Performance reports are used not only to evaluate policies and plans but also to enable an organization to react quickly and efficiently to the unexpected. With this in mind, Louisiana's formal reporting processes are designed to surface both good news and bad. Nothing succeeds like success. Good news can be shared and used to generate extra effort and gain momentum. On the other hand, bad news does not improve with age. The earlier a problem can be detected, analyzed, and solved, the lower the negative impact on the organization.

**DON'T PANIC**

What if your performance data show poor performance? Find out why; identify the problem. Develop solutions; determine what can be done differently. Then take appropriate action. We must constructively confront substandard performance. If we don't, we sanction it and limit our opportunities to improve.

Louisiana's performance reporting processes encourage the inclusion of explanatory material. In fact, quarterly performance progress reports demand explanations of variances between targeted and actual performance level when those variances exceed 5%. Use those opportunities to explain your performance—whether it appears to be good or poor.

## Reporting Performance for Operational Planning and Budgeting



Detailed guidelines for reporting and using performance information for operational planning and budgeting (through the executive budget development, appropriation, and budget control processes) are detailed in OPB guidelines and instructions for total budget request packages, operational plans, performance adjustment requests, and budget adjustment requests. These guidelines are available on the OPB website (<http://www.doa.la.gov/Pages/opb/pbb.aspx>).

### Executive Budget Development

Operational plans and other budget request forms require the inclusion of performance indicators to justify funding. Throughout Louisiana's executive budget development process, performance values are linked with resource allocation scenarios.

- For performance-budgeting, performance indicator values must be reported for the prior fiscal year, the existing fiscal year, at a continuation budget funding level in the upcoming fiscal year, and at the funding level recommended in the governor's executive budget.
- Agencies are allowed an opportunity to appeal preliminary budget recommendations, but all appeals must be based on performance impact.
- The performance indicator values reported by agencies for the funding level recommended in the governor's executive budget are proposed performance standards for the fiscal year of the budget request. Performance standards are commitments for service that are linked with the level of funding budgeted or appropriated.
- Program descriptions, key objectives, and key performance indicators are included in the general and ancillary appropriation bills. More detailed program narratives, both key and supporting objectives and performance indicators, general performance information, and explanatory notes are contained in the executive budget supporting document.

See [OPERATIONAL PLANNING & BUDGETING](#) for more information on the executive budget development process.

## Reviewing and Completing Information in Performance Spreadsheets

About midway through the executive budget development process, draft executive budget supporting document performance files are transmitted to each budget unit, along with the preliminary funding recommendation for that budget unit. These performance files include program objectives, performance indicators, and explanatory notes as they stand at that point in budget development.

Budget unit coordinators and program managers should review all information on these performance drafts, particularly the performance indicator values, for accuracy; provide missing information; and verify that all OPB questions have been addressed fully. Performance indicator values for the “Performance At Executive Budget Level” should be provided, using the preliminary executive budget funding level recommend transmitted by the OPB.

If the review and completion of draft performance files is being conducted by a department’s Office of Management and Finance (or its equivalent) or coordinated at some other central agency level, communication and collaboration with agency program managers is essential.

Budget unit operational plans sometimes do not conform to the operational plan form and instructions provided by the OPB. In many cases, data provided in agency operational plans conflict with official performance data in the Louisiana Performance Accountability System (LaPAS). The OPB performance drafts sent to budget units include corrections to data that are inconsistent with official sources. If a budget unit has not already responded to OPB questions regarding performance data, those responses must be provided at this time.

The Division of Administration has statutory authority to determine which performance information will be included in the executive budget and its supporting document. The division also has the authority and responsibility to designate "key," "supporting," or “general performance information” status for objectives and performance indicators. The OPB values your input but is also mindful of the type and level of performance information needed by budget decision makers in both executive and legislative branches. For this reason, the OPB may not concur with your recommendations regarding indicator inclusion and level. The executive budget supporting document drafts sent to you for review and completion may not include all performance indicators submitted in your operational plan; objectives and performance indicators may be shown at levels that differ from those you designated in your operational plan. Therefore, you should:

- Review continuation budget level performance values. These values, as submitted in the operational plan incorporated the effects of workload and other adjustments requested in the Continuation Budget Forms. The continuation budget for an agency, as determined by the OPB may differ from agency calculations. As a result, continuation performance values may need to be amended to reflect this difference.
- Review trend or other data charts and fill any gaps.

- Review explanatory notes and footnotes and provide additional explanatory information as needed or requested by the OPB.
- Respond to any performance questions from OPB analysts.

## Proposing Performance Standards

Performance indicator values at the funding level recommended in the executive budget must be provided for all standard performance tables. In the performance draft materials sent to agencies by the OPB, a column entitled "Performance At Executive Budget Level FY \_\_\_-\_\_\_" is provided for this purpose.

When completing this information, remember that performance values **must** reflect performance levels anticipated at the preliminary executive budget funding level recommended by the OPB. Before you complete the "At Executive Budget Level" values, be sure that you understand what is in your preliminary executive budget funding recommendation and what is not in that funding level. Then be sure that your performance indicator values are tied to that funding level. (For example, do not base your performance levels on enhancements that you requested but did not receive in the OPB preliminary budget recommendation. Do not anticipate performance that might occur if a federal grant that is not included in the executive budget funding recommendation were received in the upcoming fiscal year.)

After you have completed a performance table, review the text of its related objective to determine whether or not it still reflects an appropriate level of accomplishment that is consistent with your performance indicator values at the recommended funding level.



**NOTE:** Whether or not a budget unit intends to appeal the OPB funding recommendation to the commissioner of administration, the "Performance At Executive Budget Level" column must be completed and returned to the OPB. If your agency does not opt to submit a budget appeal, then the OPB has the performance data needed to complete executive budget documents. If you elect to submit appeal packages, then you must calculate and provide the performance levels associated with those appeals since all appeals must be based on performance. Should the commissioner of administration agree to include an appealed item in the next phase of executive budget development, then the OPB will incorporate the adjusted performance figures for the affected performance indicators into the executive budget documents.

**Give careful consideration to the formulation of executive budget recommended funding level values. These figures are proposed performance standards.** Unless amended during the appropriation process, these figures become your performance standards for the upcoming fiscal year. Performance standards are commitments for service and are the performance levels against which your actual performance will be compared at yearend. Therefore, use care in completion of your performance information is critical.



See guidelines for completing performance information for executive budget documents and guidelines for development and revision of performance standards for more information on performance standards. Both are available on the OPB website.

## Appropriation Process and Performance

Both general and ancillary appropriation bills contain performance information—program descriptions, general performance information, key objectives, and key performance indicators. Performance indicator values in the bills are proposed performance standards linked to the funding and staffing levels shown in the bills.

During the appropriation process, while the appropriation bill is being heard by the financial committees of both houses, adjustments in proposed performance standards may be made by amending the appropriation bill. If you become aware of a problem in your performance information—objectives or performance indicator names or values—as published in the executive budget supporting document and contained in the appropriation bill, contact your OPB analyst to discuss the possibility of seeking a performance amendment. As a practical matter, performance amendments should be limited to the period of time during which the appropriation bill is being heard by the House Appropriations Committee.

To the extent possible, the impact of financial amendments on performance information is identified and performance standards are adjusted during the appropriation process. However, it is not always possible to identify the performance impacts of a financial amendment during the time-constrained legislative session. Therefore, agencies may request adjustments to performance standards for those performance impacts that were not adjusted during the appropriation process under provisions of R.S. 39:87.2. Performance adjustment requests must be submitted by August 15<sup>th</sup> each year and are subject to the review and approval of both the Division of Administration (DOA) and the Joint Legislative Committee on the Budget (JLCB). Performance modifications approved through this process are incorporated in the LaPAS database by the OPB before quarterly progress reporting begins.

## Requesting Adjustments to Appropriated Performance Standards



In order to ensure adoption of the most accurate expectations of agency performance within the state budget, performance data contained in the adopted budget may, under certain circumstances, be adjusted at the beginning of the fiscal year. As indicated in Title 39:87.2.C, adjustments to objectives, performance indicators, and performance standards may be requested under the following circumstances:

- An agency may request adjustment of key and supporting objectives, performance indicators, and performance standards as required to adjust for changes made in the appropriation bill containing the appropriation for the agency after introduction of the bill. The performance standards proposed in the general or ancillary appropriation bill, as introduced, are based on the governor's executive budget recommendations. During the

legislative process, the performance impacts of amendments to the general or ancillary appropriation bill may not have been addressed. As a result, some performance standards (for key indicators contained in the appropriation act and/or supporting indicators contained in the Executive Budget Supporting Document) may not reflect changes between the executive budget recommendation and the appropriation enacted. Agencies should use the performance adjustment request process to adjust key and supporting objectives, performance indicators, and performance standards to bring them in line with changes—both increases and decreases—made in an appropriation after introduction of the appropriation bill.

- An agency may request adjustment of supporting objectives, performance indicators, and performance standards in the Executive Budget Supporting Document to correct technical errors (such as typographical errors).
- An agency may request adjustment of key or supporting objectives, performance indicators, and performance standards to incorporate the impact of legislation enacted during the most recent regular session or an extraordinary session occurring after the regular session, or to incorporate the impact of any change in federal rule, regulation, or law that became effective no earlier than one month prior to submission of the executive budget.
- An agency may have been directed by specific language in the preamble or body of an appropriation act to submit new or adjusted performance information by August 15. The performance adjustment process should be used to introduce new performance objectives and/or indicators or modify existing performance objectives and/or indicators when language in an appropriation act directs that performance information be developed, expanded, or altered; when an appropriation amendment funds a new program or activity; or when an appropriation amendment breaks out an activity for separate presentation in the appropriation act.

Further, R.S. 39:87.2.C(2)(b) authorizes the DOA to submit recommendations to the Joint Legislative Committee on the Budget (JLCB) requesting adjustments to the objectives, performance indicators, and performance standards of any executive branch agency. These DOA recommendations must be submitted by September 1. If your agency has a performance issue that does not fall under the statutory criteria for performance adjustments (for example, your agency experienced a major unanticipated change in its operating environment or gained access to data that will impact performance significantly too late in the appropriation process to seek an amendment to the appropriation bill), you should contact the OPB analyst assigned to your agency to discuss the situation and determine whether your agency should submit a performance adjustment request for consideration by the OPB under this alternate provision. Please remember that such a request is subject to the same submission deadline, review and approval as requests submitted under the regular Title 39 criteria.



**NOTE:** Under R.S. 39:87.2.C(2)(b), the DOA can recommend performance adjustments that were not requested by an agency but are deemed necessary and appropriate by the DOA. Note, also, that under R.S. 39:87.2.C(2)(c), the JLCB may

consider and approve any other adjustments to the objectives, performance indicators, and performance standards of any executive branch agency as it deems appropriate, taking into consideration the agency's enacted budget and current law.

Since enacted performance standards are the performance levels or values against which your actual performance will be compared at the end of the fiscal year, agencies are urged to take advantage of the opportunities provided under Title 39 to request appropriate performance adjustments. Nonetheless, the performance adjustment request process is not intended to supplant the opportunities already provided to agencies, throughout the executive budget development process and legislative appropriation process, to develop appropriate performance standards. Nor is the process intended to be an opportunity for an agency to completely overhaul or replace its enacted performance standards because the agency failed to follow guidelines during the development and enactment of performance standards. Further, the performance adjustment process may not be used to seek revisions to prior year performance standards.

### Performance Objectives, Indicators, and Standards at Initial Appropriation

The OPB provides performance information as part of your appropriation letter package. The performance printout identifies objectives, performance indicators, and performance standards at initial appropriation. Information for each objective (whether key or supporting) in each of your programs is provided. Each standard indicator table identifies the objective, and both key (K) and supporting (S) performance indicator names, LaPAS codes, and values. **The final column in the table identifies performance indicator values at the initial appropriation level, as shown in the appropriation act that applies to your agency; these values are your initial performance standards for the appropriated fiscal year.**

This performance information also includes General Performance Information (GPI) indicators, which do not have performance standards and are reported as actual data only. Use PARs for GPI indicators only if you are requesting the addition, deletion, or transfer of GPI indicators for the fiscal year covered by the PAR.



**NOTE:** Do not use PARs to request modifications in GPI tables reported in the executive budget supporting document. This is a “snapshot in time” publication that is not revised or reissued after appropriation. If you have spotted a technical drafting error in GPI tables (an incorrect number, for example), contact your OPB analyst to report the problem so the analyst can make appropriate corrections in the budget database to prevent the reproduction of incorrect data in future executive budget documents.

To aid you in identifying situations in which a performance adjustment should be requested, the OPB also includes a legislative tracking report in your appropriation letter package. This report includes amendments that may affect your performance. To view the portion of the general or ancillary appropriation act that applies to your agency, go to the legislature's website (<https://www.legis.la.gov/legis/home.aspx>) and use the bill/act search function. Links to the appropriation acts are included in appropriation letter package transmittals and are also available on the OPB website.

Review the appropriation act(s) to determine the performance impact of financial or other amendments was addressed during the legislative session. Often, to bring performance into line with the appropriation act, it is necessary to request adjustments that revise objectives, performance indicators, and performance standards that already appear in budget and appropriation documents. However, if an appropriation amendment provides funding for a new or expanded service or breaks out an activity for separate presentation, it may be necessary to request establishment of new objectives and/or new performance indicators and standards. New objectives may be key or supporting level; new performance indicators may include key, supporting, and/or GPI level indicators.

Also review other enacted legislation for potential impact on your agency's performance. It may be necessary to bring performance standards into line with such legislation.

### **Reviewing Objectives, Performance Indicators, and Performance Standards as Appropriated**

Review performance tables, appropriation act(s), and other enacted legislation that may relate to your agency carefully to determine whether:

- (a) there are differences (amendments) between the appropriation and the executive budget recommendation for which performance impacts have not been addressed in the appropriation instrument. If so, determine how performance is affected and how performance standards should be adjusted. (For example, an amendment adding or restoring funding and/or positions, would likely have a performance impact, particularly if the performance standards for the affected program had been set at a lower level because of executive budget reductions or denial of a requested continuation level workload adjustment. Also, as a general rule, standards for performance indicators measuring "cost per unit" are affected when funding levels change; and standards related to caseloads and staffing ratios are affected when authorized position levels change.)
- (b) the performance impacts of an amendment are taken into account in all performance standards affected by the amendment. For example, the performance impact on key indicators (those included in the appropriation act) may have been addressed in an amendment but the impact on supporting indicators may not have been included. In some cases, neither key nor supporting indicators may have been adjusted during the appropriation process to reflect the performance impact of an amendment.
- (c) there is language in the appropriation act directing you to provide new or adjusted performance information by August 15<sup>th</sup>.
- (d) a technical error (such a typographical error) exists in a supporting objective, performance indicator, or standard.
- (e) key or supporting objectives, performance indicators, and performance standards need adjustment to incorporate the impact of legislation enacted during the most recent regular

session or to incorporate the impact of any change in federal rule, regulation, or law that became effective no earlier than one month prior to submission of the executive budget.

Do not overlook needed modifications in objectives. If your review determines that performance standards as initially appropriated qualify for adjustment, be sure to review the associated objectives. Chances are that the objective text should also be modified to parallel the needed performance standard adjustments. Include those needed objective modifications in your Performance Adjustment Request.



**REMEMBER:** The OPB provides materials to help you review your performance at initial appropriation level. However, responsibility for reviewing performance information as enacted, determining whether or not a performance adjustment should be requested, and submitting complete and accurate adjustment requests lies with you.

Agencies and their programs are held accountable for achievement of performance standards and may be subject to rewards or penalties based on their performance and compliance with the requirements of performance-based budgeting. Clearly, it is to your advantage to scrutinize initial performance standards and, under qualifying circumstances, request appropriate adjustments. So, if your agency does not seek performance adjustments in situations that qualify for such adjustments, be prepared to explain your decision.

If you are unsure whether or not a performance situation qualifies for a performance adjustment, contact the OPB budget analyst assigned to your agency to discuss the situation. If it is determined that your issue or situation cannot be approved as a performance adjustment, then you can manage your quarterly performance targets in the Louisiana Performance Accountability System (LaPAS) to reflect more probable performance levels. Performance variances related to these factors can be explained in the comment column of quarterly performance progress reports in LaPAS.

## Performance Adjustment Request Package

Use the Performance Adjustment Request (PAR) package to request performance adjustments. Requested adjustments must be submitted by program. The PAR package, an Excel workbook, provides a cover sheet that allows you to cluster request forms by program. The request package workbook includes ten blank “request forms” or worksheet tabs. If you need more than ten request forms for a program, simply copy and insert additional request form worksheet tabs. The request package also includes backup indicator forms that must accompany new performance indicators to be added and instructions.

The PAR package, guidelines, and instructions are available on the OPB website (<http://www.doa.la.gov/Pages/opb/pbb.aspx>) under PBB Forms & Guidelines. The PAR package contains instructions that should cover most situations. However, if you have questions, please contact the OPB budget analyst assigned to work with your agency.

Submit PARs by August 15<sup>th</sup> as directed in the guidelines published on the OPB website. (If August 15<sup>th</sup> falls on a Saturday or Sunday, the OPB will extend the due date to the Monday immediately following August 15<sup>th</sup>.)

Requests for performance adjustments must be approved by both the OPB and the JLCB (or a subcommittee thereof). Generally, requests are heard and decided at a September meeting of the JLCB Performance Review Subcommittee. The person(s) from your agency who is/are most knowledgeable about performance items to be heard by the JLCB Performance Review Subcommittee must be present at this meeting to answer detailed questions.

If requests are approved, adjustments to performance standards in the official performance database (LaPAS) will be made by the OPB. Please remember that agencies do not have access to performance standard fields in LaPAS. Performance standards can be modified only by an approved performance adjustment request or BA-7.

## Adjusting Performance in BA-7s

At the beginning of each fiscal year, the OPB enters all objectives and performance indicators, with their performance standards, into the LaPAS database. Performance standards are linked inextricably with funding level. During the fiscal year, if a budget unit requests a budget adjustment (BA-7 process), the performance impacts of that requested budget adjustment must be identified and documented. If the OPB and the JLCB approve the BA-7 request, then any affected performance standards are adjusted by the OPB in the electronic database.



**NOTE:** There is no such thing as a “performance only” BA-7. The August 15<sup>th</sup> Performance Adjustment Request process is the only opportunity to request a “performance only” adjustment during the fiscal year. The BA-7 process is a budget adjustment process that must contemplate and include impacts to performance (whether direct or indirect). The BA-7 instrument is not a vehicle of convenience for modifying performance that is not directly related to or impacted by the BA-7. The BA-7 must reflect only the performance impact of that particular BA-7.

## Quarterly Performance Progress Reporting

Act 1465 of 1997 (the Louisiana Government Performance and Accountability Act) requires that each agency (budget unit) receiving an appropriation in the general appropriation act or the ancillary appropriation act produce a series of performance progress reports. The purpose of these reports is to provide the legislature with information on the agency's actual progress toward achievement of performance standards for performance indicators contained within the general appropriation act, the ancillary appropriation act, and the executive budget supporting document. In fact, the availability of funds appropriated is conditioned upon each agency's compliance with statutory provisions relative to reporting of performance.

The OPB in the Division of Administration, as the official record keeper and repository of performance data, maintains an electronic performance database, the Louisiana Performance Accountability System (LaPAS), which tracks performance standards, interim performance targets, and actual performance. To ensure the integrity of the performance database, the OPB also designates the medium for transmission and storage and establishes the rules for electronic transmission of progress reports and database access. Quarterly performance progress reports

are submitted by state departments and agencies via LaPAS. LaPAS can be accessed on the OPB website (<http://www.doa.la.gov/Pages/opb/lapas/lapas.aspx>) for public viewing and searching (no ID or password required) and secure agency reporting (ID and password required).

## Guidelines for Performance Progress Reporting



Act 1465 of 1997 provides official definitions and sets specific requirements for submission and content of the performance progress reports. These are explained below.

### Definitions and Explanations

**Performance Indicator** - A statement identifying an activity, input, output, outcome, achievement, ratio, efficiency, or quality to be measured relative to a particular goal or objective in order to assess an agency's performance. Performance indicators are the tools used to measure the performance of programs. Performance indicators consist of two parts: indicator name and indicator value. The indicator name describes what you are measuring. The indicator value is the numeric (or other) value or level achieved within a given measurement period.

**Key Performance Indicator** - A performance indicator that is included in the executive budget supporting document and the general appropriation act or the ancillary appropriation act. Key indicators are outcome indicators (indicators that directly relate to or measure the outcome described in an objective) or other measures that provide especially valuable information for budget decision making. Key indicators always have a performance standard (an expected level of performance at the appropriation level). Key indicators are reported each quarter in LaPAS.

**Supporting Performance Indicator** - A performance indicator that is included in the executive budget supporting document but not the general appropriation bill/act or ancillary appropriation bill/act. Many of these indicators are input, output, efficiency or quality indicators that help make up a balanced set of indicators and provide important background information to support a key indicator. Supporting indicators always have a performance standard (an expected level of performance at the appropriation level). Supporting indicators are reported in LaPAS at second quarter (or midyear) and a yearend actual is reported at fourth quarter (or yearend).

**General Performance Information Indicator** – A performance indicator that is included in the executive budget supporting document to provide valuable historic, trend, or comparative data. GPI indicators may be included in the general or ancillary appropriation act. General performance information indicators are reported on an actual basis only and do not have performance standards. However, GPI indicators are tracked for historical and trend purposes in LaPAS; a prior year actual value is reported at second quarter (or midyear) and a yearend actual is reported at fourth quarter (or yearend).

**Source Documents** - The sources for objectives and performance indicators to be reported in performance progress reports. Key objectives and key performance indicators for each program are shown in the general and ancillary appropriation acts. Supporting objectives and indicators at

the funding level recommended by the governor are reported in the executive budget supporting document. Supporting objectives and performance indicators at initial appropriation level are provided to budget units in performance indicator spreadsheets that accompany appropriation letters prepared and distributed by the OPB.

**Performance Standard** - The expected level of performance associated with a particular performance indicator for a particular period. Performance standards are developed during the operating budget development process and established during the appropriation process. They represent the expected level of performance (performance indicator values) to be achieved during the fiscal year for which a budget estimate or an appropriation applies. Performance standards are commitments for service associated with the level of funding budgeted/appropriated. Performance indicators at both key and supporting levels become performance standards at the conclusion of the initial appropriation process. See "Guidelines for Development and Revision of Performance Standards" on the OPB website for more information. A performance standard is compared to the actual yearend performance for that indicator and variance (percentage difference) is calculated.

**Interim Performance Targets** - Intermediate levels marked for accomplishment. Annual performance standards are divided by an agency into quarterly (for key indicators) or semi-annual (for supporting indicators) performance targets. Actual year-to-date performance for each period is compared to the cumulative target for that same report period and variances are calculated.

Interim performance targets are set by agencies in their first quarter performance progress reports. Although annual performance standards can be modified only through limited processes requiring approval of the Division of Administration and Joint Legislative Committee on the Budget, interim performance targets can be managed by agencies throughout the fiscal year in a prospective manner. That is, during a quarterly reporting period, an agency may modify the targets for subsequent quarters. (For example, during the second quarter or midyear performance report, an agency may reset the targets for third and fourth quarters.) This enables agency managers to adjust targets to reflect unanticipated changes in internal capacity or external operating environment.

Because performance progress reports are cumulative, interim performance targets should be cumulative. For information on how to set targets, see "Guidelines: Quarterly Performance Progress Reports" on the OPB website.

**Prior Year Actual** - Actual data (real data based on actual activity) for the prior fiscal year.

**Variance** - The percentage difference between a performance standard or target and actual performance. Variance is calculated by dividing the actual performance by the standard or interim target and subtracting 1.00. Variance for most numeric indicators is calculated automatically by the Louisiana Performance Accountability System (LaPAS).

This definition of "variance" does not conform to that of the term as used by statisticians. Act 1465 uses the term "variance" but the actual calculation sought for performance comparison purposes is that of percentage difference. We regret any discomfort this may cause the statistical community.

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## CALCULATION OF VARIANCE

15 [actual] divided by 10 [standard or interim target] minus 1.00 = .50 or 50%

250 [actual] divided by 425 [standard or interim target] minus 1.00 = -.412 or -41.2%

30% [actual] divided by 27% [standard or interim target] minus 1.00 = .111 or 11.1%

\$34.40 [actual] divided by \$35.22 [standard or interim target] minus 1.00 = -.023 or -2.3%.



**NOTE:** For variances in which zero “0” is part of the calculation formula—that is, when either the standard or target or actual is “0,” then LaPAS defaults to a variance of 5.5%. This necessitates an explanatory note but does not skew the variance by signaling either a 0% or 100% variance.

Variance from the performance standard (or an interim target) can be numerically positive or negative. However, a numerically positive variance may not represent a positive outcome; likewise a negative variance does not necessarily indicate a negative outcome. For this reason, agencies should indicate for each indicator whether a positive or negative variance from the standard is desired or represents “a good thing.” LaPAS defaults to the condition of a positive variance being a desired outcome. However, agencies may modify this setting to designate a desired negative variance.

### Submission of Performance Progress Reports

Title 39 requires that performance progress reports must be submitted quarterly to the Joint Legislative Committee on the Budget, the legislative fiscal officer, the legislative auditor, and the commissioner of administration. Electronic transmission of performance information through the Louisiana Performance Accountability System (LaPAS) satisfies this requirement.

LaPAS permits secure entry and approval of actual performance information, one quarter at a time, via a web-based software application. To maintain the security and integrity of the performance database, access to the LaPAS data entry/update and approval functions is controlled through log-on identifications (IDs) and passwords. IDs and initial default passwords are issued by the OPB. Requests for creation or termination of LaPAS IDs must be submitted to the OPB on LaPAS forms, which are available on the OPB website.

Quarterly performance progress reports may be submitted on or before their due dates, which are set by statute. Ten (10) days after its deadline (or due date), a progress report is considered delinquent. An official, complete submission must contain all required information and have all information approved by the designated approval authority.

The schedule for submission of quarterly performance progress reports appears below. (Act 1465 of 1997 set deadlines for the first day of the months in which reports were due. However, Act

1169 of 1999 revised deadlines for submission of performance progress reports from November 1, February 1, May 1, and September 1 to November 8, February 8, May 8, and September 8.)

<b>SCHEDULE FOR QUARTERLY PERFORMANCE PROGRESS REPORTS</b>	
<b><u>REPORT</u></b>	<b><u>DUE DATE</u></b>
<p><b>First Quarter Performance Progress Report</b></p> <p>(Agencies project quarterly targets for key indicators and midyear and yearend targets for supporting indicators; designate positive/negative direction for desired variance on all indicators; and enter actual performance for key indicators for July 1 – September 30.)</p>	 <p><b>November 8</b></p>
<p><b>Midyear (or Second Quarter) Performance Progress Report</b></p> <p>(Agencies enter actual performance for July 1 - December 31, as well as prior year actual performance, for all performance indicators.)</p>	<p><b>February 8</b></p>
<p><b>Third Quarter Performance Progress Report</b></p> <p>(Agencies enter actual performance for key indicators for July 1 - March 31.)</p>	<p><b>May 8</b></p>
<p><b>Yearend (or Fourth Quarter) Performance Progress Report</b></p> <p>(Agencies enter actual performance for July 1 - June 30, as well as prior year actual performance, for all performance indicators.)</p>	<p><b>September 8</b></p>

For each quarterly report, LaPAS displays a code in the submission period column for each performance indicator. This code identifies the period within that reporting schedule that information for an indicator was submitted. These submission periods and codes are:

**RP** = Regular Period - the period from the opening of LaPAS for data entry, update, and approval through the end of the deadline (or due date) for the report (see deadlines above). A report submitted on or before the deadline (or due date) is considered on-time and coded "RP."

**LP** = Late Period - the ten-day period after the reporting deadline (or due date), during which a report is considered late but not officially delinquent. A report submitted after the deadline (or due date) but before the end of the ten-day late period is coded "LP."

= Blank - signifies that no report was submitted during the regular or late reporting periods. LaPAS displays a blank in the submission period column when an agency fails to submit agency-approved data for a performance indicator. If an agency fails to submit a report during the regular or late reporting periods, that agency's report is considered delinquent.

**CP** = Closed Period - the period during which LaPAS is closed for regular or late data entry, update, and approval. As explained below, LaPAS is closed after the ten-day late period and

special permission must be obtained to enter, update, and approve data following that closure. A report filed during this closed period is coded "CP" and is considered delinquent.

Generally, LaPAS is open for data entry, update, and approval approximately thirty (30) days prior to the deadline (or due date) for each quarterly report. The OPB uses a message marquee on the LaPAS main page to provide information on LaPAS availability for quarterly reporting.

Database access remains open to an agency until that agency has officially submitted its performance data or the ten-day late period has passed, whichever occurs first. Official submission is signified by approval of performance data by a designated agency official using an approval authority ID. At that time, the agency's access to the LaPAS data entry and update function will be closed.

An agency approver may wait until each performance indicator has been updated before officially submitting its performance progress report or may submit the report in stages. For example, a budget unit comprised of several programs may officially submit the information for those programs individually or all at once. However, each submission must be made within the report period and, as each submission is made, data entry and update access to those portions of the database will be closed. Nonetheless, if an agency has made an official submission and, before the data entry and update period is concluded, an error or omission is discovered, the agency approver may remove approval and regain access to the quarterly report.

No agency user can access data entry/update or approval functions after the ten-day late period has passed without special permission and action from the OPB. For example, if an agency fails to submit a quarterly performance progress report and is later directed by the Joint Legislative Committee on the Budget to file that report, then the OPB will open the system for a limited period of time for that agency to complete its report.

As data are entered and updated in LaPAS, those data are deposited into the performance database and displayed in the LaPAS view function.

For information on how to use LaPAS, including how to view, enter, update, approve or "unapproved" performance data in LaPAS, see the LaPAS main page on the OPB website for links to user guides.

## **Entering, Updating, and Approving Performance Data in LaPAS**

Identifier information on departments, agencies, programs, objectives, key and supporting performance indicators, and performance standards is populated by the LaPAS administrator in the OPB. Performance indicators are presented as they appear in the source documents (general or ancillary appropriation acts and performance tables supplied by the OPB as part of the annual appropriation package). If there is any disagreement regarding performance indicator name, level, or standard value in these sources, then the appropriation act takes precedence.

Each department/agency is responsible for entry and/or updating of the following:

- interim targets (quarterly targets for key performance indicators and midyear [or second quarter] and yearend [or fourth quarter] targets for supporting performance indicators) for performance standards;
- designation of positive or negative as the “desired” direction for any variances that might occur;
- actual performance values;
- comments or explanatory notes; and
- department or agency (budget unit) approval of data.

A department that is composed of multiple budget units may centralize responsibility for data entry and update at its administrative headquarters or decentralize responsibility for data entry and updating by assigning that function to each budget unit. Likewise, a department composed of multiple budget units may centralize responsibility for data approval at the department level or may decentralize data approval by authorizing each budget unit head to approve and submit data.

**LaPAS data entry and approval users cannot revise performance standards in LaPAS.** Performance standards may be revised through an official instrument (approved PAR or BA-7) but only the OPB can make the actual change in the performance database. LaPAS will maintain a record documenting each revision to a performance standard and automatically display a "Y" in the "performance standard revised" cell for any revised performance standard.

Performance progress reports are cumulative since they are tracking progress toward accomplishing a performance standard for the entire fiscal year. However, to generate meaningful measurement of quarterly progress, it is necessary to divide annual performance standards into estimated interim targets for achievement. In this way, actual year-to-date performance can be compared with estimated interim targets.

Interim targets for each quarter should be set by an agency and recorded in the First Quarter Performance Progress Report. All interim targets (quarterly targets for key indicators and midyear [or second quarter] and yearend [or fourth quarter] targets for supporting performance indicators) must be entered at the first quarter performance progress report, even though the report contains actual performance data only for key indicators. However, interim targets may be managed or revised prospectively. LaPAS will not permit users to revise targets retroactively—that is, you cannot revise targets for the quarter you are reporting or previous quarters. For detailed information on setting targets in LaPAS see “Guidelines: Quarterly Performance Progress Reports on the LaPAS main page.

Both performance targets and actual performance data should represent the periods covered by the reports. That is:

- First quarter reports should reflect performance targets and actuals for July 1 through September 30.

- Midyear (or second quarter) reports should reflect cumulative targets and actuals for July 1 through December 31.
- Third quarter reports should reflect cumulative targets and actuals for July 1 through March 31.
- Yearend (or fourth quarter) reports should reflect cumulative targets and actuals for July 1 through June 30.

“Actual” performance data reported in a previous progress report cannot be altered in a subsequent progress report (except as noted in the following paragraph). However, since actual numbers are supposed to be cumulative, an agency may compensate for the inaccuracy of an actual reported in any previous quarter when reporting in a subsequent quarter. If the previously reported actual contains such an egregious error that the cumulative actuals in subsequent quarters don't make sense, then the agency should explain the situation in the notes column.

Revision or correction of "actual" data reported in an earlier performance progress report is allowed at yearend in the fourth quarter performance progress report. (Of course, a wholesale correction of actual performance data will be subject to the close scrutiny of reviewing entities. In addition, fourth quarter correction of actual data will not mitigate any negative reviews of earlier quarterly reports.)

LaPAS not only allows a comparison of actual with expected performance, but also builds an historical database of actual performance data. Therefore, it is important to record "prior year actual" values for performance indicators. Prior year actual values should be reported at midyear (second quarter report) and yearend (fourth quarter report). Use the actual performance indicator values for the immediately preceding fiscal year. (For example, on a performance progress report for FY 2006-2007, the prior fiscal year is FY 2005-2006.)



**NOTE:** For a recurring performance indicator (one that appeared in LaPAS reports for the prior year), LaPAS copies the yearend actual value reported for that indicator into this column for you. However, users must verify the accuracy of these values and revise if necessary. If a performance indicator is new or if an agency did not submit a yearend value in the previous fourth quarter progress report, then the prior year actual cell will be blank. In this case, users must enter a prior year actual in the midyear or second quarter report in order to generate a “complete” report record. Generally, the prior year actual values entered at midyear should require no re-entry or revision at yearend. If, however, a value was incorrectly calculated or entered at midyear, then the value should be revised in the yearend (fourth quarter) report.

Performance standards and indicator values must be numeric (numbers, dollars, and percentages). LaPAS cannot calculate a variance on nonnumeric values.

Numeric performance standards and indicator values may have various numeric formats (plain numbers, dollars, percentages, etc.). In LaPAS, standards and values appear without format attributes (dollar signs, percentage signs, etc.). However, at the performance indicator level, there is a format cell that identifies the numeric format for the standard and values by displaying one of the following symbols:

- # = plain number
- \$ = dollar
- % = percentage

Incorrect or inconsistent data entries can result in grossly inappropriate variance rates. Therefore, interim targets and actuals must be reported in the same numeric expression as their performance standard. For example:

- Some performance standards are expressed in millions rather than in complete numbers. That is, the name of the performance standard includes a qualifier (in millions) and the performance standard value is rounded up to millions. In this case, a performance standard of five million would be shown in LaPAS as 5 not as 5,000,000. If a performance standard is expressed in millions (or billions, etc.), targets and actuals must be reported in the same format (that is, 5, not 5,000,000 or 1.2 not 1,200,000).
- Target and actual values should be carried to the same number of decimal points as their standard. If a performance standard is expressed with two decimal points (4.65), then its targets and actuals should be carried to two decimal points also.
- If a performance standard is a percent (%), target and actual values must be entered in a percent format (10.5) not a decimal format (.105).

Comments or explanatory notes may be included for all indicators and report periods. The generous comment area allows detailed explanations and commentaries on quarterly performance. Use of explanatory notes to explain external variables or other factors that should be taken into account regarding performance indicators, standards, targets, or actual data is encouraged. However, comments must be included when there is a positive or negative variance greater than five percent (5%) between actual and targeted performance.

Performance data must be reviewed and approved by a designated agency official. Official submission of performance progress reports is dependent upon and signaled by this agency review and approval.

## **Louisiana Performance Accountability System (LaPAS)**

The Louisiana Performance Accountability System (LaPAS) is the State of Louisiana's electronic performance database. LaPAS is both the means of filing regular performance reports and the depository of performance information. LaPAS is a joint venture of the Division of Administration's Office of Planning and Budget (OPB) and Office of Information Services (OIS).

LaPAS is accessed via the Internet through the OPB website. The LaPAS main page provides descriptive information on each LaPAS function (whether currently active or still under development). The LaPAS main page has a "First Time Users Click Here!" link that provides information on screen settings, browser version and upgrades, and browser settings that will enable data users to use LaPAS Java applications. A LaPAS manual, containing complete instructions for entering, updating, and approving data is provided on the LaPAS web page.

Further, "Information" tabs, providing help and directions, on each update and approval screen are available to authorized agency users as they use the Java applications.

All Internet users may view and search LaPAS performance data. The view function includes print capacity. Instructions on how to use the view function are available on the LaPAS website.

Quarterly performance progress reports are filed by state agencies through the Agency Update and Agency Head Approval applications. Access to Agency Update and Agency Head Approval applications is controlled; authorized users must use IDs and passwords to access the applications. Authorizations apply only to the department/agency of the user. LaPAS user guides and information are available through links on the LaPAS main page.

Authorized state users also may access the LaPAS universe with Business Objects software. Business Objects is used already by most Louisiana state agencies to access financial data in the Advantage Financial System (AFS), the state's automated financial accounting system.

## Annual Undersecretaries' Management and Program Analysis Reports (Act 160 Reports)

Louisiana Revised Statutes 36:8 requires the submission of an annual report summarizing the activities of each undersecretary's office relating to management and program analysis conducted for the preceding fiscal year.

This annual report is commonly called an "Act 160" report, because it was established by Act 160 of 1982. However, the initial statutory requirements for the report have been amended by Act 911 of 1995 and Act 20 of 2004. Act 911 of 1995 changed the due dates and made submission of the report mandatory. Act 20 of 2004 preserves the content requirements already in statute and adds another required component—progress toward accomplishment of the goals and objectives in the department's five-year strategic plan.



**NOTE:** Louisiana statutes designate functions of particular executive/administrative positions in executive branch departments. In most departments, the position responsible for management and finance functions is that of the undersecretary; in some departments—those headed by a statewide elected official or an individual appointed by someone (or some entity) other than the governor—the position responsible for these functions might have another title. However, this annual report is required of both undersecretaries and equivalent positions. (See R.S. 36:8.E for the definition of undersecretary and identification of equivalent positions for purposes of this annual report.)

An undersecretary (or the equivalent under law) is empowered to:

1. Direct, conduct, and supervise evaluations and analyses of programs and operations of the department and its agencies and offices.

2. Review department operations, procedures, rules, and regulations for efficiency, economical management, and conservation of resources and to specify uneconomical practices.
3. Review and evaluate department programs and activities, as well as the impacts of existing and proposed laws and regulations upon the department and its programs. In particular, this review and evaluation of department programs is to determine: (a) whether the program is meeting goals and objectives; (b) whether the program is conducted as effectively and efficiently as possible in terms of services rendered, benefits achieved, and purposes accomplished as well as in terms of economic cost; (c) whether the program should be modified or eliminated; and (d) what specific changes, if any, should be made in the program.
4. Review existing and proposed laws, regulations, and policies pertaining to the operations and programs of the department and report to the secretary, and under his direction to the governor, Senate, and House of Representatives, the impact of such existing and proposed laws and regulations on the efficiency, economy, and effectiveness of the department and to make recommendations for changes in such existing or proposed laws and regulations to improve efficiency, economy, and effectiveness of the department.
5. Inform the secretary, and under his direction, the governor, commissioner of administration, Senate, and House of Representatives, through reports of problems within the department and recommendations for corrective measures.



## Report Guidelines

### Required Contents

The annual management and program analysis report must be prepared in the manner prescribed by the commissioner of administration and must be accompanied by such other information as he may require.

An annual management and program analysis report must include the following:

- A description of significant accomplishments made by the department during the fiscal year of the report.
- A report of progress toward accomplishment of the goals and objectives in the department's five-year strategic plan, including but not limited to an analysis of actual performance achieved, an explanation of the internal operating factors as well as the external factors, which are beyond the control of the department, that affected the achievement of department goals and objectives, and a description of actions needed to address significant variances between the department's strategic goals and objectives and actual performance.

- A description of significant management or operational problems or issues that exist in the department. (“Problems or issues” may include internal concerns, such as organizational structure, resource allocation, operations, procedures, rules, and regulations or deficiencies in administrative and management oversight that hinder productivity, efficiency, and effective service delivery. “Problems or issues” may be related to external factors—such as demographics, economy, condition of the state fisc, federal or state legislation, rules, or mandates—that are largely beyond the control of the department but affect department management, operations, and/or service delivery. “Problems or issues” may or may not be related directly to a lack of strategic progress.)
- A description of corrective actions recommended by the undersecretary’s office for those problems or issues identified. Further, any corrective actions recommended in previous reports on which no action has been taken should be noted.
- A list and brief summary of management reports and program evaluations made by the undersecretary’s office during the fiscal year of the report.

## Report Form

Utilize the Annual Management and Program Analysis Report (AMPAR) Form (a Microsoft Word document). This form poses questions that address the required contents of the annual report. Use as much space as necessary to fully answer AMPAR questions.

The AMPAR Form can be downloaded from the OPB website:

[http://www.doa.la.gov/opb/faf/FY16/FY16\\_Performance\\_Adj\\_Request\\_Guidelines.pdf](http://www.doa.la.gov/opb/faf/FY16/FY16_Performance_Adj_Request_Guidelines.pdf).



## Submission of Report

Undersecretaries must submit annual management and program analysis reports to their department secretaries before November 25th of each year. Prior to December 5th of each year, department secretaries must submit the report to:

- the governor
- the commissioner of administration,
- the House Appropriations Committee,
- the Senate Finance Committee and
- the standing committee of each house of the legislature having responsibility for oversight of the department.



Submit reports electronically as attachments to e-mail transmissions. The Office of Planning and Budget provides more detailed submission instructions each year.



## Evaluating Performance and Using Results

Performance monitoring and tracking enables performance evaluation. Major performance evaluation methods or processes include:

- performance progress report review;
- annual agency in-house performance review and evaluation;
- program evaluation;
- performance audit; and
- sunset review.

The results of performance evaluation are used for:

- assessing performance-based rewards and penalties;
- enhancing planning and policy and budget decision making; and
- improving agency and program management.



## Performance Progress Report Review

### Legislative Fiscal Office Review

Act 1465 provides that within thirty days from the date of receipt of the performance progress reports, the legislative fiscal officer must provide the Joint Legislative Committee on the Budget with a summary of the data contained in each agency's performance progress report. The purpose of this review is to note variances in actual performance levels compared with quarterly interim targets or the annual performance standards (depending upon the progress report period under review). The legislative fiscal officer is directed to identify variances that are greater than 5% or are of a magnitude that he determines to be relevant. These summary reports also are made available to all members of the legislature. Further, summary reports are published on the website of the Legislative Fiscal Office (<http://lfo.louisiana.gov/>).

### Audit of Performance Progress Reports

Act 1465 further authorizes the legislative auditor to audit and verify the data reported by agencies within specific performance progress reports. This audit function is carried out by the Financial and Compliance Audit Division of the Office of the Legislative Auditor.

## Joint Legislative Committee on the Budget Review

Each agency's performance progress reports, particularly the yearend (or fourth quarter) progress report, are reviewed and considered by the Joint Legislative Committee on the Budget in the development of any recommendation for or granting of any reward or imposition of any penalty authorized under Act 1465 (R. S. 39:87.4). For more information on performance-based rewards and penalties, see page 58.



## Annual Agency In-house Performance Review and Evaluation

At the close of a fiscal year, departments, agencies, and programs should review and evaluate performance during that fiscal year. The information gained from this review should be used to improve both strategic and operational planning as well as agency and program management.

An annual performance review and evaluation generally considers:

### 1. Where does the organization stand operationally?

- How did the organization perform last year? What were the major accomplishments last year? What efforts were unsuccessful? What percentage of performance indicators had a variance of 5% or less between performance standard and actual yearend performance? What percentage had a variance of greater than 5%?
- What factors (internal or external) were instrumental to success or lack of success?
- How does last fiscal year's performance affect current year operations? How will it affect the upcoming fiscal year?

### 2. Where does the organization stand strategically?

- What progress toward accomplishing strategic goals and objectives was made last year? How does last year's performance affect the strategic plan?
- What developments (internal or external) occurring the past year will influence the strategic plan? How?
- What future developments (internal or external) are anticipated and how will they affect the strategic plan?
- What adjustments, if any, should be made to the strategic plan?

As part of annual performance review and evaluation, it is appropriate to reassess the organization's internal situation and external environment and to reexamine strategic issues. A periodic reanalysis of an issue allows management to follow its evolution. (See [STRATEGIC PLANNING](#) for information on internal/external analysis and strategic issues.)

Program managers should use the results of program performance review and evaluation to improve program processes and future plans and performance. Program managers also should use performance information to make internal resource reallocations and justify future budget requests. Program performance information should be reported to the department's secretary, undersecretary (who prepares annual management and program analysis reports), department coordinator(s) for strategic planning, operational planning, and accountability, and senior executive team (SET). The secretary, undersecretary, department coordinator(s), and SET should review program performance information and take appropriate action.



## Program Evaluation

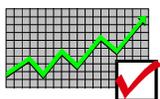
**Program evaluation is the systematic examination of a specific program or activity to provide information on the full range of its short-term and long-term effects.** As indicated earlier, performance accountability sometimes cannot measure the full impact—direct and indirect—of a policy or program; it may not be able to measure all the variables that affect outcomes; nor can it always attribute outcomes conclusively to specific programs. To address these concerns, program evaluation is needed.

Managers should decide how a program, activity, or project will be evaluated before it is time to evaluate that program, activity, or project. The type of evaluation method chosen will, to a large extent, influence the kinds of performance data that must be collected.

There are many ways to evaluate programs (or activities or projects). Some of these evaluation methods lend themselves more readily to annual measurement and evaluation schedules; others are aimed at a long-term evaluation period. These methods include:

- comparison of planned performance and actual performance;
- comparison of “before” and “after” data;
- comparison of population segment(s) served by the program and population segment(s) not served by the program;
- controlled, randomized experimentation; and
- feedback from clientele.

For information on program evaluation, see *Handbook of Practical Program Evaluation*, Joseph S. Wholey, Harry P. Hatry, and Kathryn E. Newcomer, Editors, Jossey-Bass Publishers, 1994.



## Performance Audits

**A performance audit is an evaluation of the efficiency and effectiveness with which an organization is carrying out its mission and achieving its goals and objectives.** A

performance audit is not a financial audit, although it may reveal associated financial issues. It is concerned with performance, productivity, and progress.

Types of performance audit include:

- Economy and Efficiency Audits: These examine whether program officials are using resources economically and efficiently; they focus on program cost and operational efficiency.
- Program Audits: These examine whether a program is effective—that is, achieving desired outcome(s).

In a performance audit:

- < Auditors usually focus on the implementation process and tend to emphasize variables related to management control.
- < Audits tend to have a narrow focus and scope, with an emphasis on timeliness.
- < Audit standards require avoidance of even the appearance of lack of independence.
- < Auditors emphasize audit procedures and their documentation.

Generally, a performance audit moves through several phases; these are: survey, planning, fieldwork, and report.

### **Performance Audit Model**

As shown in the performance audit model on the following page, the elements of an audit finding include:

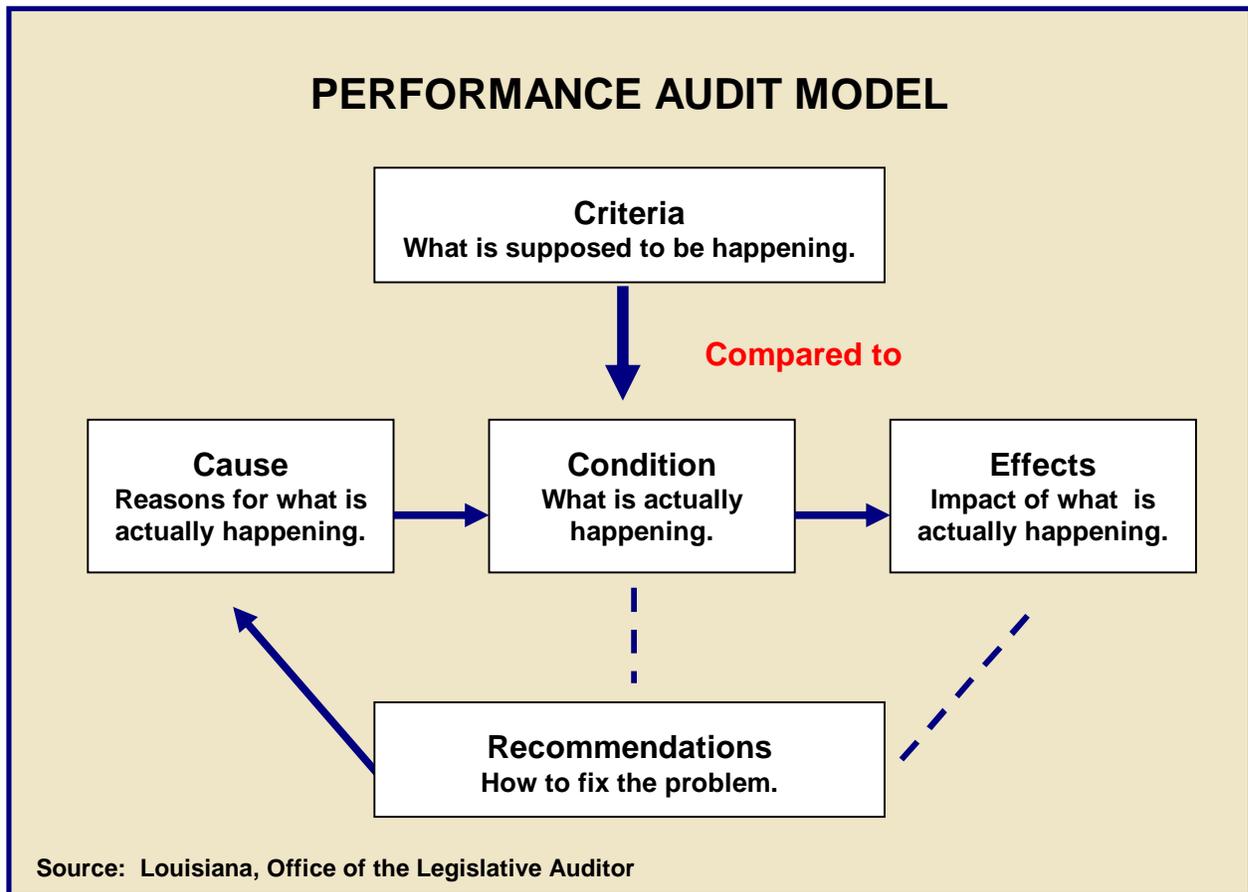
- Criteria – Goals, objectives, or standards used to determine whether a condition meets or exceeds expectations.
- Condition – Situation that exists and has been observed and documented during an audit.
- Cause – Reason why something happened or did not happen.
- Effect – Result or impact of an observed condition.

Specific courses of action (ways to fix the problem) usually are recommended.

### **Types of Evidence**

The types of evidence used by auditors to substantiate findings are:

- Physical – Information obtained by direct inspection or observation of people, property, or events.
- Testimonial – Information obtained from people through interviews or written response to questionnaires.
- Documentary – Documents produced by the audited agency or other relevant entities.
- Analytical – Information developed or derived from other evidence by making computations, comparisons, or analyses.



**Performance Audit Tools and Techniques**

Performance auditors seek to verify:

- what an agency/program is authorized to do and is doing;
- what an agency/program is authorized to do and is not doing;
- what an agency/program is not authorized to do but is doing;
- potential overlap or duplication of services;
- activities, services, or processes that may be outmoded;

- results that an agency/program has targeted;
- results that an agency/program has actually achieved;
- accuracy, validity, and appropriateness of performance measures used and reported by an agency/program; and/or
- how efficiently and effectively an agency/program is carrying out its mission.

Tools and techniques used by performance auditors include:

- review of laws and regulations
- review of documents and case files
- interview of officials
- survey of clients
- comparison with government entities in other states and the private sector
- data analysis, including: statistical and nonstatistical (random or selective) sampling, averages and percentages, and regression analysis.

## Audit Results

The results of a performance audit are published in an audit report. Standards for audit reports cover:

- Form – A written report should be prepared.
- Timeliness – A report should be made available to interested parties for timely use.
- Presentation – A report should present complete, accurate, objective, convincing, clear, and concise information.
- Distribution – A report should be distributed to the legislature, auditee, press, and other relevant entities.
- Content – The report should include:
  - < objectives, scope, methodology, and statement on auditing standards;
  - < audit results;
  - < recommendations; and
  - < auditee's comments.

## Louisiana Performance Audit Program

In 1991 the Louisiana Legislature revised R. S. 24:513 to authorize the legislative auditor to conduct performance audits, program evaluations, and other studies as needed to enable the legislature and its committees to evaluate the efficiency, effectiveness, and operation of state programs and activities. This role was further defined by passage of Act 1100 of 1995, which enacted R. S. 24:522 to create the Louisiana Performance Audit Program (LPAP).

Under the Louisiana Performance Audit Program, the legislative auditor is directed to provide the legislature with evaluation and audit of the functions and activities of the agencies of state government. Such evaluations and audits must be based on standards appropriate for each evaluation or audit. To accomplish this the legislative auditor may:

- evaluate the basic assumptions underlying any and all state agencies and the programs and services provided by the state to assist the legislature in identifying those that are vital to the best interests of the people of Louisiana and those that no longer meet that goal;
- evaluate the programs, policies, services, and activities administered by the agencies of state government and identify overlapping functions, outmoded programs or methodologies, areas needing improvement, and/or programs amenable to privatization;
- evaluate the impact, effectiveness, and cost-effectiveness of all state agencies and of their programs, services, and activities;
- evaluate the efficiency with which state agencies operate the programs under their jurisdictions and fulfill their duties;
- evaluate methods agencies use to maximize the amount of federal and private funds received by the state for its programs in order to ensure that the people of Louisiana receive a fair share of the taxes that they pay to the federal government and to provide for the effective use of private resources;
- evaluate the management of state debt;
- evaluate the assessment, collection, and application of user fees; and
- evaluate the methods used by each agency in the estimation, calculation, and reporting of its performance, and evaluate the actual outcomes of each agency's performance with regard to its performance indicators (as provided in R. S. 39:2) and provide agencies with information relative to the methods used to evaluate such performance.

Based on the results of performance audits, the legislative auditor makes recommendations each year relative to the programs and services provided by various state agencies as well as recommendations for elimination of or reduction in funding for agencies, programs, or services. These recommendations are to be submitted in a report to each member of the legislature no later than February 15th each year. Moreover, the legislative auditor may make annual recommendations to the appropriate oversight committees of the legislature and the Legislative Audit Advisory Council regarding amendments to statutory and constitutional provisions that will improve the efficiency of state government (including, if appropriate, recommendations concerning the reorganization or consolidation of state agencies).

Act 1465 of 1997 further directs the legislative auditor to establish a schedule for execution of performance audits that will ensure the completion and publication of audits of no less than two different agencies from at least two different executive departments in each year. Such audits are to be published no later than thirty days prior to the commencement of the regular session of the

legislature. The audit schedule must ensure that within the five-year period beginning with FY 1997-1998, at least one performance audit will be completed and published for each of Louisiana's twenty executive branch departments.

The Performance Audit Division of the Office of the Legislative Auditor conducts performance audits using generally accepted government auditing standards (GAGAS).

**HELP**

## HOW TO: Prepare for a Performance Audit

The Performance Audit Division of the Office of the Legislative Auditor has completed an initial performance audit of executive branch departments. Therefore, administrators and managers should have gained some knowledge and experience regarding this type of audit. However, tips on preparing for a performance audit are provided below.



### Tips for the Audit Experience

- ☞ Always be prepared. Get ready for a performance audit before the audit happens. Anticipate what auditors may request (the information they will need, the files or records that they will want to see, and so on). Keep performance audit in mind as you plan, develop policy, budget, and measure progress.
- ☞ Keep complete records. Document your management processes as well as their results. Establish an audit trail.

Information or materials that performance auditors may seek from agencies during a performance audit include:

- Authorizations for agency/program/activities (constitutional or statutory provisions, executive orders, court orders or other mandates).
- Organization, staffing, and program structure charts.
- Policy framework (agency policies and policy development process).
- Strategic plans, master plans, or other types of long-range plans that detail agency/program mission, goals, objectives, and performance accountability.
- Documentation of strategic planning or other planning process (information and records on how the process was conducted and decisions were made regarding plan components).

- Information generated by the strategic planning or other planning process (such as internal/external assessments, issue scans, benchmarking data, and cost-benefit analyses).
- Operating budget request documents (including operational plans) and financial records.
- Capital outlay budget request documents (including references to program performance) and facility management records.
- Performance research, data, and reports.
- Program evaluations.
- Undersecretary Annual Management and Program Analysis Reports (“Act 160” reports).
- Accreditation reviews or reports.
- Other program or performance reports/documents (such as press releases, annual reports, newsletters, and required reports for federal programs)
- Financial and compliance audit reports by the Office of the Legislative Auditor, with agency responses.
- Reports and recommendations by the Office of the Inspector General.
- Federal grants guidelines and records.
- Information on and references to national associations or professional organizations that may have established performance standards for services.
- Information on and references to other governmental units (federal agencies, other states, other Louisiana state agencies, or local agencies) or private sector organizations (businesses, foundations, or nonprofit agencies) that provide the same or similar services.
- Any other information that might point to program efficiency and effectiveness.

To obtain this information, performance auditors may review agency/program files and documents and conduct interviews with agency/program staff as well as customers, stakeholders, and expectation groups associated with the agency or program.

☞ Be ready to justify performance data. Be able to explain how indicators were selected as well as how data are/were gathered, calculated, and reported. Be prepared to support the use of proxy or surrogate indicators and estimates; be able to explain how estimates were

devised. The documentation that is required as part of the strategic planning process should provide most of this.

- ☞ Do your homework. Find out more about performance auditing and audit standards.

Visit the website of the Office of the Legislative Auditor (<http://www.la.state.la.us/>) to find information about the Performance Audit Division and the performance audits that have been conducted to date.

*Government Auditing Standards* (also known as "The Yellow Book"), issued by the Comptroller General of the United States, contains standards for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other nongovernment organizations. These standards, often referred to as generally accepted government auditing standards (GAGAS), are to be followed by auditors and audit organizations when required by law, regulation, agreement, contract, or policy. These standards pertain to auditors' professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports. For more information on The Yellow Book, visit the U. S. General Accounting Office website (<http://www.gao.gov/index.html>).

- ☞ After the introductory interview with the performance audit team assigned to your organization, appoint a principal contact person from your organization to communicate and work with the audit team.
- ☞ Find out (at the beginning) what the timeframe and guidelines for the performance audit are.
- ☞ Respond to the auditors' requests for information or materials in as timely and complete a fashion as possible. Keep a record of what was provided, by whom, and when.
- ☞ Respond to findings with facts. Provide detailed and documented evidence when a finding is in dispute. Prepare a written response; it will be included in the audit report.
- ☞ Use the audit report to make improvements in management processes.

End of HELP Topic



## Sunset Review

Louisiana state government is made up of twenty cabinet departments as well as various statutory entities that are part of those departments by law. ("Statutory entity" is defined as any department, agency, or office of state government.) However, these departments and agencies are not guaranteed a permanent existence. Just as the sun goes down to mark the end of day,

state agencies have a "sunset" or end time established by statute. If statutory entities are not re-created by the legislature, then they cease to exist.

R. S. 49:190 *et seq.* provides for legislative termination and re-creation of statutory entities. "Sunset review" allows the legislature an opportunity and mechanism to evaluate the operations of state statutory entities to determine whether the merits of an entity's activities support its continuation. In other words, "sunset review" is the process through which, on a regular schedule, state agencies are required to justify their existence in order to continue that existence. Sunset review generally runs on a six-year cycle. Termination dates for statutory entities are staggered (so that all are not set for termination at the same time) but always scheduled for July 1st of an odd-numbered year.



**NOTE:** No statutory entity can be re-created for more than six years. During recent sunset review periods, it has not been uncommon for statutory entities to be re-created for less than six years. So, do not count on being re-created for six years—particularly if there are significant issues left unresolved during the sunset review period.

### Initial Review by Standing Committee

Three years before the calendar year in which a statutory entity is scheduled to be terminated, the president of the Senate and the speaker of the House of Representatives assign the applicable statutory entities to standing committees of their respective houses. This assignment is made by September 1st. If practicable, statutory entities are assigned to the standing committees that have usual jurisdiction over the affairs of the statutory entity. These committees perform the initial evaluation to determine if a statutory entity will be continued, modified, or terminated. Within thirty days after the referral of the statutory entity to the appropriate standing committees, those committees (separately or jointly) notify the statutory entities under their jurisdiction of the termination dates and provide them a tentative schedule for evaluation hearings. In addition, the committees (separately or jointly) request the Department of State Civil Service to review the job descriptions and staffing of each entity. After receipt of the notice of termination and evaluation, each statutory entity must provide the standing committees with the following information (at the same time that it submits its operating budget request to the Office of Planning and Budget):

1. the identity of all subunits under the direct or advisory control of the statutory entity under evaluation;
2. all powers, functions, or duties currently performed by the statutory entity under evaluation;
3. all constitutional, statutory, or other authority under which said powers, functions, and duties of the statutory entity under evaluation are performed and carried out;
4. any powers, functions, or duties that, in the opinion of the statutory entity under evaluation, are being performed and duplicated by another statutory entity or political subdivision within the state, including the manner in which and the extent to which this

duplication of efforts is occurring and any recommendations for eliminating the duplication;

5. any powers, functions, or duties that, in the opinion of the statutory entity under evaluation, are inconsistent with current or projected public needs and should be terminated or altered;
6. the identity of any problems or any programs of the entity to which, in the opinion of the entity, the committees should give particular study;
7. all strategic plans, master plans, operating plans, and other planning documents including performance measures;
8. all performance audits or studies performed by the legislative auditor within the last five years and a description of agency actions in response to the findings of such audits or studies;
9. the identity, amount, and description of each professional, personal, or consulting service contract entered into by the statutory entity under evaluation; and
10. any other information that a standing committee, in its discretion, feels is necessary and proper in performing its review and evaluation duties.

Evaluations by the standing committees are made for the purpose of achieving the following:

- elimination of inactive entities;
- elimination or consolidation of entities, programs, or activities that duplicate other governmental entities, programs, or activities;
- elimination of unnecessary entities, programs, or activities or entities, programs, or activities that no longer serve the public interest;
- elimination or improvement of inefficient or ineffective entities, programs, or activities;
- elimination or revision of entities, programs, or activities that are inconsistent with the intent of legislation authorizing that entity, program, or activity.

Prior to the final adjournment of the regular legislative session convening in the odd-numbered year two years before the year in which the applicable termination date occurs, the appropriate standing committees, to which a statutory entity has been referred, conduct such study and evaluation as necessary to determine whether or not proposed legislation will be introduced to continue or modify the statutory entity. The standing committee holds public hearings to receive testimony from the statutory entity and from the public. At the hearings, the statutory entity has the burden of demonstrating a public need for its continued existence. Further, it must demonstrate that its objectives, programs, and activities are consistent with legislative intent and effectively and efficiently achieve this intent.

When determining whether a statutory entity has demonstrated a public need for the continued existence of the statutory entity, its programs, or its activities, a standing committee takes into consideration (among others) the following factors:

1. The extent to which any information required to be furnished to the standing committee has been omitted, misstated, or refused, as well as the extent to which conclusions reasonably drawn from said information are adverse to the legislative intent inherent in the powers, functions, and duties as established in the enabling legislation creating the statutory entity, or are inconsistent with present or projected public demands or needs.
2. Based on strategic plans, master plans, and operating plans, together with relevant performance measures and any other factors or information, an examination of the extent to which the objectives of the statutory entity under evaluation conform to the statutory objectives for that entity.
3. The extent to which objectives of the statutory entity under evaluation have been effectively and efficiently achieved, as reflected by relevant performance measures, and an analysis of any significant variance between projected and actual performance.
4. The extent to which the statutory entity has operated in the public interest and the extent to which its operation has been impeded or enhanced by existing statutes, procedures, and practices and any other circumstances (including budgetary, resource, and personnel matters).
5. The extent to which the statutory entity has recommended to the legislature statutory changes that would benefit the public, as opposed to the statutory entity itself.
6. An identification of other statutory entities or other programs or activities of state or local government having the same or similar objectives, together with a comparison of the cost-effectiveness of such statutory entities, programs, or activities and any duplication of the statutory entity under review.
7. The extent to which the statutory entity has encouraged participation by the public in making its rules and decisions, as opposed to participation solely by its constituency.
8. The efficiency with which formal public complaints filed with the statutory entity concerning matters subject to its jurisdiction have been processed by the statutory entity.
9. The extent to which changes are necessary in the enabling laws of the statutory entity to adequately comply with these listed factors.
10. The extent to which the statutory entity's operation has been efficient and responsive to the public needs.
11. The extent to which the statutory entity has encouraged that units regulated or served report to the statutory entity concerning the impact of rules and decision regarding improved service, economy of service, or availability of service to the public.

12. The extent to which the statutory entity has permitted qualified applicants to serve the public.
13. The extent to which the statutory entity or the units it regulates or the constituency it serves has complied with the requirements of state and federal statutes and constitutions.
14. The findings and recommendations of, as well as entity responses to, any performance audits or studies conducted by the legislative auditor.
15. The findings and recommendations of the Department of State Civil Service with respect to job descriptions and staffing of the statutory entity.
16. The extent to which the statutory entity has privatized its programs, functions, or activities through the use of professional, personal, or consulting services.
17. Any other relevant criteria that a standing committee, in its discretion, deems necessary and proper in reviewing and evaluating the sufficient public need for continuance of the statutory entity under review.

Standing committees making reviews and evaluations may request the assistance of the Legislative Fiscal Office and the legislative auditor to compile pertinent information about the statutory entity under review.

If the statutory entity under review is a department, then during the fiscal year that ends one year prior to the year in which the applicable termination date occurs, the statutory entity must review all job classifications and descriptions for all positions included in the personnel tables for all budget units of that statutory entity. The statutory entity must submit to the Department of State Civil Service (DSCS) revised job descriptions for all positions it proposes for reclassification. The DSCS must review all such proposed reclassifications and the descriptions and classifications for any other positions it deems appropriate to review. The DSCS and the State Civil Service Commission will: (a) determine those job classifications and descriptions and salary ranges that should be changed, and (b) submit a report of their proposed changes to the statutory entity under review and to the standing committees.

### **Selective Review and Evaluation of Statutory Entities**

Standing committees may choose to review and evaluate some statutory entities or programs more thoroughly than others during sunset review. The following factors (among others) are taken into consideration in the selection of those statutory entities or programs to receive extensive evaluation:

1. the extent to which the statutory entity or program appears to require significant change;
2. the extent to which the resources of the legislature will allow for such evaluation;

3. the extent to which substantial time has passed since the statutory entity or program has been in effect and in operation; and
4. the extent to which the statutory entity or program has encountered significant problems in satisfying its statutory mandate.

The selection of those statutory entities or programs to receive an extensive evaluation must be made no later than thirty days following the referral of the statutory entities to the standing committees. Entities or program administrators of programs selected for extensive evaluation must be so notified by the standing committees at the same time that the standing committees provide a tentative schedule for evaluation hearings.

Standing committees may instruct the Legislative Fiscal Office or the legislative auditor to make such performance audits, programmatic evaluations, and other studies as are needed to enable the standing committees to effectively conduct these extensive evaluations.

### **Submission of Final Evaluation Reports of Standing Committees**

Standing committees submit their final evaluation reports to the legislature and governor by March 1st before the regular legislative session in the year prior to the applicable termination date. The standing committee's report includes a summary of its finding concerning the factors listed above as well as the committee's recommendation for termination, continuation, or modification of the appropriate statutory entity (including any proposals for reorganization, consolidation, or transfer of duties of the statutory entity or any of its programs or activities).

If the standing committee finds that a statutory entity or any of its programs or activities should terminate as scheduled, then the committee's report must include proposed legislation (if any is necessary) to conform related laws to the termination of that statutory entity, its programs, or activities. If the standing committee finds that a statutory entity should be continued or modified, then the committee's report must include proposed legislation necessary to accomplish that continuation or modification. If the committee finds that changes in particular programs or activities of the entity are needed, the report must include proposed legislation necessary to accomplish such changes.

The committee report must also include an evaluation of whether the objectives of the entity for the next six years as well as measures for performance for these objectives are consistent with statutory authority or requirements of the entity.

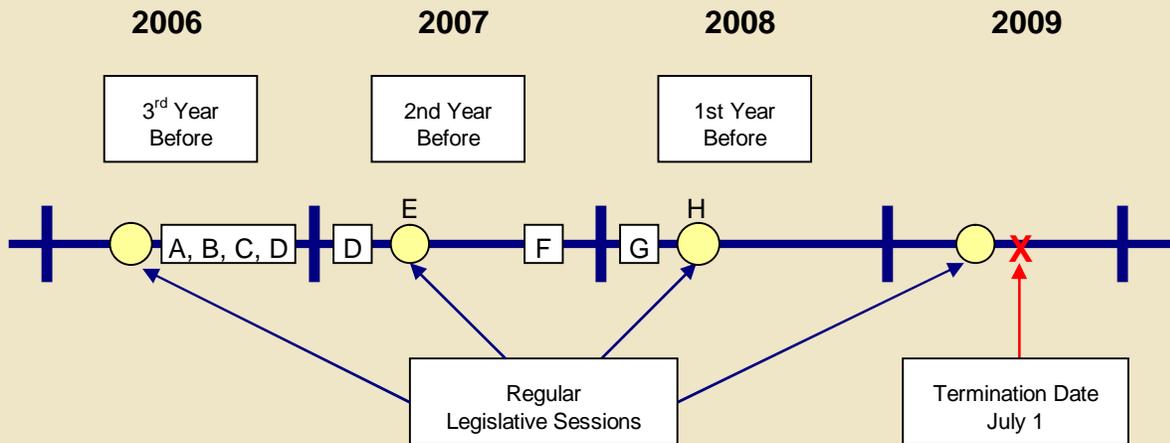
No recommendation of any joint reviewing committee can be submitted in the report unless the recommendation is approved by the majority of the members of each house serving on the joint committee.

### **Termination and Re-creation of Statutory Entities**

Sunset review may result in the full termination, as scheduled, of a statutory entity or the recreation (with or without modifications) of that entity for up to another six years. Any statutory

## FLOW OF SUNSET REVIEW PROCESS

### Timetable (Calendar Year) for Statutory Entity Having a 2009 Termination Date



### Summary of Oversight Actions

- A = Review assignment is made in September 2006, three years prior to termination date of July 1, 2009.
- B = Review committee notifies department head within 30 days that a sunset oversight review will be conducted.
- C = Department responds with specific information required by committee at the time annual budgets are submitted (by November 15).
- D = Study period (December 2006 to April 2007).
- E = Oversight hearings are held during fiscal session (2007 Regular Legislative Session).
- F = Additional oversight or study topics are undertaken, as committee requires.
- G = Final oversight committee hearings, if necessary, are held.
- H = Re-creation legislation is introduced and considered.

entity to be terminated by the provisions of sunset review may be re-created only in accordance with the procedure established in the sunset review process.

In the regular legislative session in the year prior to the year in which a statutory entity is scheduled for termination, a bill authorizing the re-creation of that statutory entity may be introduced. This bill, which will be referred to the standing committee that performed the initial review and evaluation of the statutory entity, must contain a new termination date for the

statutory entity being re-created. This new termination date can be no more than six years from the currently effective termination day for the statutory entity.

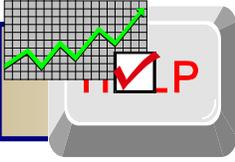
Unless the legislature enacts the bill to continue or modify the entity, the entity must begin to phase out its operations on the date set forth by statute and the legislative authority for that statutory entity will cease on the following July 1st. If the bill authorizing re-creation of an entity does not become law, the statutes creating and continuing that entity will be considered to be repealed on the applicable termination date fixed by statute. No funds can be appropriated or otherwise made available from any source to any entity after the applicable termination date of that entity, unless it has been re-created in accordance with statutory procedures.

If the bill authorizing re-creation of an entity becomes law, the committee may request, and the entity must provide, a copy of the agency budget request and operating plan for the entity prepared and submitted to the Office of Planning and Budget (OPB) for the ensuing year. This budget request must be submitted to the committee at the time it is submitted to the OPB. The committee must review the budget request and operating plan submitted by the entity and report any recommendations regarding them to the Joint Legislative Committee on the Budget, prior to its deliberations on the proposed budget for the entity.

### **Termination of Unfunded Programs and Acts**

Sunset review legislation provides a mechanism for the legislature to review, terminate, or provide funding for legislatively authorized programs and acts for which implementation funding has not been provided. R. S. 49:191.1 requires that each budget unit of the state must compile a listing of all legislatively authorized programs and acts of the legislature directing any activity to be administered by such budget unit for which implementing funds were not appropriated in the prior fiscal year. The listing must be submitted to the OPB, the Legislative Fiscal Office, and the JLCB as an addendum to the annual budget request.

Following the review, analysis, and study of the listings provided above, the JLCB submits its findings and recommendations thereon to the members of the legislature, not later than two weeks prior to each regular session of the legislature, as an addendum to the report on the proposed executive budget. The committee must include a draft of any proposed legislation that would be necessary to accomplish its recommendations. If the committee recommends termination of an unfunded program or activity, it must cause legislation, specifically providing for the repeal of the program or activity, to be introduced. If the committee recommends continuation of the program or activity, it must recommend appropriation of funds for the program or activity and any other legislation directing specific changes as a condition of continuation of such legislative authority.



## HOW TO: Prepare for Sunset Review

Sunset review is the ultimate evaluation of performance. Your organization is about as prepared as it can be to face sunset review if:

- Your organization has been using the management processes described in *MANAGEWARE* ;
- Your organization has kept complete records;
- Your organization has received good marks on its performance audit(s).



**REMEMBER:** It is up to the statutory entity under review to demonstrate the public need for and merits of its re-creation. The entity must also prove that its aims and actions are consistent with legislative intent and that they efficiently and effectively carry out that legislative intent.

Don't expect to come out of sunset review the same way you went into the process. You should come out better!

Sunset review provides an opportunity to refine and hone agencies, programs, and services in order to meet the changing needs of the state and its constituents better. If an agency, program, or activity is not meeting public need, it should be modified or terminated.

End of HELP Topic

## Performance-based Rewards and Penalties

The legislature annually may specify a performance-based reward or penalty (as provided in R. S. 39:87.4) for any executive branch agency that receives an appropriation. Rewards or penalty provisions that have been recommended to the legislature by the Joint Legislative Committee on the Budget (JLCB) through a committee resolution may be included in an appropriation bill or any legislative instrument specially introduced for such purpose. Or such reward or penalty may be authorized by committee resolution adopted by the JLCB.

After a review of an agency's yearend (or fourth quarter) performance progress report, and upon finding that an agency **has exceeded** the performance standards for its performance indicators by at least five percent (5%) for a particular fiscal year, the JLCB may directly authorize a **reward** for that agency by adoption of a committee resolution to that effect. The committee may also provide for reward of an agency by recommendation to the legislature that provisions for such

reward be included in a subsequent appropriation for the agency, or in any other instrument specially designed for such purpose.

After a review of the agency's yearend (or fourth quarter) performance progress report, and upon finding that an agency **has failed to achieve** the performance standards for its performance indicators by more than five percent (5%) for a particular fiscal year, the JLCB may directly impose a **penalty** upon that agency by adoption of a committee resolution to that effect. The committee may also provide for imposition of a penalty upon an agency by recommendation to the legislature that provisions for such penalty be included in a subsequent appropriation for the agency, or in any other instrument specially designed for such purposes.

Provisions for rewards or penalties may apply to an entire agency or may be limited to certain programs within an agency. Such provisions for rewards or penalties are limited in duration to the remainder of the fiscal year in which they are granted. They cannot be retroactive; nor can they be carried forward into the succeeding fiscal year unless specifically provided for in the general appropriation act, the ancillary appropriation act, or another legislative instrument designed for that purpose, or by committee resolution adopted by the JLCB.

In making its determination, the JLCB considers the contents of performance progress reports, as well as any findings of the Legislative Fiscal Office, any recommendations from the division of administration relative to report contents, any reports issued by the legislative auditor, and any information from a reporting agency that committee deems necessary in its evaluation of that agency's performance. After reviewing the yearend (or fourth quarter) performance progress report, the commissioner of administration may recommend to the committee that an agency receive a reward or be imposed a penalty.

## Rewards

Rewards may include, but are not limited to the following:

- ↑ Notwithstanding the provisions of R. S. 39:73 (C)(2) and (3) relative to the requirements for JLCB approval of certain transfers of funds, authorization for the commissioner of administration to approve transfers of up to two percent (2%) in the aggregate of an agency's appropriated funds between its programs;
- ↑ Authority for an agency to exceed the threshold for delegated authority on approval of small purchases of professional, personal, consulting, and social services by up to one hundred percent (100%) of the amount established in R. S. 39:1508.
- ↑ Notwithstanding the provisions of R. S. 39:82(A), (B), and (E), and 352, the authorization for the commissioner of administration to approve an agency's retaining unexpended and unencumbered balances of appropriations, excluding special categories and grants. These funds may be used for nonrecurring purposes to include new or enhanced employee training, and productivity enhancements including technology and other improvements. Such authorization must be recommended by JLCB resolution and must be approved by the legislature within an appropriation for such purpose, or within any other legislative

instrument specially introduced for such purpose. Funds retained by agencies as a reward cannot be used by the division of administration to supplant funding for the agency in the next executive budget.

- ↑ For any reward that contemplates the granting of exemptions from the provisions of R. S. 39:82(A), the Legislative Fiscal Office must prepare an analysis of the fiscal and performance impacts of such action. This analysis must be submitted to the JLCB for its review prior to the recommendation for a reward.
- ↑ Recommendation by the JLCB to the legislature that the agency receive additional funding for the ensuing fiscal year.

## Penalties

Penalties may include, but are not limited to the following:

- ↓ Notwithstanding the provisions of R. S. 39:73(C)(2), the reduction of the commissioner of administration's unilateral authority relative to transfer of funds between programs from one percent (1%) to one-half of one percent (.5%).
- ↓ Increased performance reporting requirements or the execution of performance audits, as may be determined by the JLCB.
- ↓ Recommendation by the JLCB for elimination or restructuring of the agency, which may include but not be limited to transfer of the agency to another department or outsourcing all or a portion of the agency's responsibilities and activities.
- ↓ Direction that a management audit be conducted by the division of administration or the legislative auditor.
- ↓ Direction that other remedial or corrective actions be implemented by the agency and reported to the JLCB.

## Exceptional Performance and Efficiency Incentive Program

R.S. 39:87.5 authorizes the Exceptional Performance and Efficiency Incentive Program to encourage state agencies to achieve maximum efficiency in their operations and maintain consistently high levels of performance, as contemplated by the Louisiana Government Performance and Accountability Act. The program provides monetary rewards to employees and rewards of supplemental funding for nonrecurring expenditures for agencies demonstrating exceptional achievements in the efficient use of state resources and the ability to consistently meet or exceed performance expectations.

Under this program, the Joint Legislative Committee on the Budget (JLCB) determines which agencies receive a reward from monies appropriated each year from the Incentive Fund (a special treasury fund established for the purpose of providing rewards to state agencies and employees). Proposals by state agencies must be submitted to the JLCB by November 15<sup>th</sup> each year. Those verified by the Legislative Auditor to be factually accurate are considered by the subcommittee for determination whether a reward is in order. They are judged on factual and qualitative bases. Rewards granted by the JLCB must be awarded prior to March 1<sup>st</sup> of the next calendar year. Reward monies received by an agency shall not be used by the commissioner of administration to supplant funding for the agency in the next executive budget.

Rules and application forms are posted on the websites of both the House Fiscal Division and the Senate Fiscal Section.

**HELP INFORMATION AND ASSISTANCE**

For technical assistance related to performance accountability, contact the Office of Planning and Budget by telephone at (225) 342-7005 or use the website inquiry feature of the OPB website.

For information on the Louisiana Fiscal Office (LFO) review of performance progress reports, contact the LFO coordinator for performance progress report review, by telephone at (225) 342-7233.

For information on performance audits, contact the Performance Audit Division of the Office of the Legislative Auditor. Contact the Office of the Legislative Auditor by telephone at (225) 339-3800; or visit the office’s website at <https://www.la.gov/>

