

Performance Audit Report

**Managing for Results
Performance Measures**

**Fiscal Responsibility
Department of Budget and Management**

March 2010



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

March 31, 2010

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We conducted a performance audit to determine the accuracy of selected Managing for Results (MFR) performance measure data reported in the *Managing for Results Annual Performance Report* issued in April 2009. We also determined whether adequate control systems were in place for collecting, summarizing, and reporting the performance measure data.

As requested by the chairmen of the legislative budget committees, we are systematically auditing the results of the 62 MFR measures contained in the *Managing for Results - State Comprehensive Plan*, which was produced by the Department of Budget and Management. This audit is the third to be conducted on the 62 measures and focuses on the data reported for the two measures contained within the Fiscal Responsibility portion of the *State Comprehensive Plan*. The Department of Budget and Management (DBM) was responsible for reporting these results. A list of the 62 MFR measures is contained in Exhibit 3 of this report.

As a result of our audit, we have classified each of the two measures as Certified. The available designation classifications are Certified, Certified with Qualification, Inaccurate, or Factors Prevented Certification, as described in Exhibit 2.

An executive summary of our findings can be found on page 5, immediately following this cover letter, and our audit scope, objectives, and methodology are explained on page 9. We wish to acknowledge the cooperation extended to us by DBM during the audit.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

Table of Contents

Executive Summary	5
Background Information	5
Conclusions	5
Recommendations	5
Findings	7
Certification Results	7
Scope, Objectives, and Methodology	9
Exhibit 1 – Definitions of the DBM Fiscal Responsibility Performance Measures Audited	11
Exhibit 2 – Categories of Performance Certification	12
Exhibit 3 – Managing For Results – State Comprehensive Plan – List of 62 Performance Measures in Plan	13
Exhibit 4 – Managing For Results Audit Reports Previously Issued by the Office of Legislative Audits Pertaining to the 62 Measures	17

Executive Summary

Background Information

In July 1997, the Governor implemented the Managing for Results (MFR) initiative, which is a strategic planning process used by department leaders and others to establish direction and priorities for State programs to achieve meaningful results. MFR requires State agencies to submit missions, goals, objectives, and performance measures for each program as part of the annual budget request. This information may then be considered in determining Statewide spending priorities and the allocation of resources in agency budgets. Effective July 1, 2004, the MFR process was established in State law, with the Department of Budget and Management (DBM) as the lead agency for developing a State comprehensive plan for MFR. The resultant *Managing for Results - State Comprehensive Plan* categorizes MFR goals into five functional areas, referred to as pillars, which contain a total of 62 measures.

As requested by the chairmen of the legislative budget committees, we are systematically auditing these 62 measures. This audit is the third to be conducted pursuant to this request and focuses on the data reported by DBM in its April 2009 *Managing for Results Annual Performance Report*, for the two measures contained within the Fiscal Responsibility portion of the *Plan* (Exhibit 1). The categories of performance certification are explained in Exhibit 2 of this report, and a list of the 62 MFR measures is contained in Exhibit 3. Exhibit 4 references the first two MFR audit reports issued by our Office, which collectively covered 19 measures in the Public Safety and Safer Neighborhoods and Education portions of the *State Comprehensive Plan*.

Conclusions

We concluded that the two measures tested were Certified.

Recommendations

None

Findings

Certification Results			
Agency and Report Reference¹	Performance Measure (See Exhibit 1 for Definitions)	Results Reported	Level of Certification (See Exhibit 2)
DBM Annual Performance Report Page 54	Number of fiscal years closed with a positive General Fund balance	Fiscal Years 2004 to 2008 (in millions) FY 2004 - \$452.7 FY 2005 - \$1,174.4 FY 2006 - \$1,361.7 FY 2007 - \$284.7 FY 2008 - \$487.1	Certified
	Maintaining a triple A bond rating from all three nationally recognized bond rating agencies for each issuance of State General Obligation Bonds	Bond Ratings for General Obligations from Calendar Years 2004 to 2008 AAA (Fitch) Aaa (Moody's) AAA (Standard & Poors)	Certified

¹ Reference cited is the April 2009 *Managing for Results Annual Performance Report*.

Scope, Objectives, and Methodology

Scope

Under the authority of the State Government Article, Section 2-1221 of the Annotated Code of Maryland, we conducted an audit of selected performance measure results reported in the April 2009 *Managing for Results Annual Performance Report*. The audit was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As requested by the chairmen of the legislative budget committees, we are systematically auditing the performance measures from the *Managing for Results - State Comprehensive Plan* produced by the Department of Budget and Management (DBM). This Plan includes 62 performance measures categorized into five functional areas referred to as pillars. This audit is the third to be conducted pursuant to this request and focuses on the two performance measures from the Fiscal Responsibility functional area as reported by DBM in the *Report*.

Objectives

The objectives of our audit were (1) to determine whether the most recent actual measurement results for the selected performance measures were accurately reported in DBM's *Managing for Results Annual Performance Report*, and (2) to determine whether adequate control systems existed over the collection and reporting of the data related to the measurement results. Our performance audit did not include an assessment of whether the performance measures reviewed were consistent with the goals and objectives of the related programs, or were meaningful indicators of program performance.

Methodology

To accomplish our objectives, we interviewed DBM personnel responsible for collecting and reporting the measure data, reviewed performance measure calculations for accuracy, reviewed the data collected and reported for the performance measures, and determined whether the calculations and data were consistent with the definitions of the performance measures as noted in Exhibit 1. We also analyzed DBM's performance measurement data collection and reporting activities to evaluate whether proper controls existed to ensure data integrity.

We developed a system to categorize the results of our audit of performance measures. The four categories represent varying levels of certification of the accuracy of the performance reported by DBM. The categories of performance certification are defined in Exhibit 2.

Our fieldwork was conducted on site at DBM during the period from December 2009 to January 2010. A draft copy of this report was provided to the Office. Since there are no recommendations in this report, a written response was not necessary.

Exhibit 1
Definitions of the DBM Fiscal Responsibility
Performance Measures Audited

Performance Measure	Definition¹
Number of fiscal years closed with a positive General Fund balance	<p>This measure presents the number of State fiscal years with a positive General Fund balance. The State fiscal year runs from July 1st through June 30th. The closing balance, which represents funds available for new fiscal year operations, is derived from an accounting for all applicable factors such as revenues, expenditures, revenue transfers, and reversions.</p> <p>The transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other government funds, are accounted for in the general fund. These services include, among other items, general government; health and mental hygiene; education (other than higher education institutions); human resources; public safety; judicial; labor, licensing and regulation; natural resources and recreation; housing and community development; environment; agriculture; and business and economic development. The resources obtained from federal grants and used for general fund activities consistent with applicable legal requirements are recorded in the general fund. (Source: State of Maryland, Notes to the Financial Statements for the Year Ended June 30, 2008.)</p>
Maintaining a triple A bond rating from all three nationally recognized bond rating agencies for each issuance of State General Obligation Bonds	<p>This measure presents the bond rating from each of the three nationally recognized bond rating agencies for each issuance of State General Obligation Bonds. The three rating agencies are Fitch Ratings, Moody's Investor Service, Inc., and Standard & Poor's.</p>

¹ The definitions are substantially derived from those provided by DBM in its Managing for Results budget submissions and *Managing for Results Annual Performance Report*. Additional information, such as data sources, was included in certain definitions in this exhibit for informational purposes. Also, certain definitions were shortened to enhance readability.

Exhibit 2
Categories of Performance Certification

Category	Definition
Certified	Reported performance was reasonably accurate.
Certified with Qualification	Reported performance was reasonably accurate even though minor deficiencies were noted with the supporting documentation, controls were not sufficient, or the methodology used to calculate reported performance was not consistent with the measure definition.
Inaccurate	Reported performance differed significantly from actual performance; the calculation process was wrong, such as excluding data relevant to the calculation; or, as reported, the measure was misleading, such as failing to disclose the measure as a rate when applicable.
Factors Prevented Certification	Reported performance could not be verified, as documentation was unavailable, controls were not adequate to ensure the accuracy of the results, or results were not presented in a manner consistent with the performance measure description.

Exhibit 3
Managing for Results – State Comprehensive Plan
List of 62 Performance Measures in Plan

Page 1 of 4

Performance Area	
Goal	
MFR Measure	
Public Safety and Safer Neighborhoods	
Keeping Maryland communities safe – measured by	
1	Firearm homicide rate per 100,000 (calendar year)
2	Recidivism: Percent of offenders returned to Department of Public Safety and Correctional Services supervision for a new offense within one year of their release from the Division of Correction - all releases
3	Traffic fatality rate per 100 million miles traveled (calendar year)
Maintaining necessary security standards in correctional institutions – measured by	
4	Number of inmates who escape from all Division of Correction Facilities, Patuxent Institution, and Division of Pretrial Detention and Services facilities (in aggregate)
5	Total number of inmates who walk off from Division of Correction minimum security settings, prerelease or alternative confinement settings (in aggregate)
Providing effective rehabilitation and treatment services to offenders or substance abusers – measured by	
6	Percent of Proactive Community Supervision cases closed where the offender had satisfactorily completed substance abuse treatment programs
Preventing youth violence, alcohol and substance abuse – measured by	
7	Violent offense arrest rate for youths between 15 and 17 years of age (per 100,000 children per calendar year)
8	Recidivism: Percent of youth re-adjudicated or reconvicted within 1 year after release
9	Percent of 12th grade public school children who report using alcohol within the last 30 days
10	Percent of 10th grade public school children who report using heroin within the last 30 days
Protecting the well being of children – measured by	
11	Rate of injury-related deaths due to accidents to children and youth between 0 and 19 years of age (per 100,000 children per calendar year)
12	Percent of children with recurrence of maltreatment within six months of first occurrence
13	Statewide percent of current child support paid (Includes cases for persons who receive public assistance, and for other persons who apply for child support services from the Department of Human Resources)

Exhibit 3
Managing for Results – State Comprehensive Plan
List of 62 Performance Measures in Plan

Performance Area	
Goal	
MFR Measure	
Education	
Children will enter school ready to learn – measured by	
1	Percent of students entering Kindergarten demonstrating Full Readiness on the Work Sampling System Kindergarten Assessment
Children will be successful in school – measured by	
2	Percent of students scoring proficient or better by grade and content area <ul style="list-style-type: none"> • Reading – Grade 3 – Total all groups • Reading – Grade 8 – Total all groups • Reading – Grade 10 – Total all groups • Mathematics – Grade 3 – Total all groups • Mathematics – Grade 8 – Total all groups • Algebra – Total all groups
Children will complete school – measured by	
3	High School Graduation Rate
4	Percent of children in grades 9 through 12 who drop out of school in an academic year
Schools will promote high levels of learning – measured by	
5	Percent of schools demonstrating Adequate Yearly Progress in reading – State totals
6	Percent of schools demonstrating Adequate Yearly Progress in mathematics – State totals
Higher Education	
Promoting access and academic success in postsecondary education – measured by	
1	Six year graduation rate of first-time, full-time students at Maryland public four-year colleges and universities (all groups)
2	Percent of bachelor’s degrees awarded to racial/ethnic minorities at public and private Maryland colleges and universities
3	Number of community college students who transfer to a Maryland public four-year campus
Producing an educated and skilled workforce including addressing the State’s critical workforce and healthcare needs – measured by	
4	Number of graduates in teaching from Maryland’s public and private higher educational institutions
5	Percent of teacher candidates from Maryland public and private higher educational institutions who pass Praxis II
6	Number of graduates in nursing from Maryland public and private higher educational institutions

Exhibit 3
Managing for Results – State Comprehensive Plan
List of 62 Performance Measures in Plan

Performance Area	
Goal	
MFR Measure	
Health	
Promoting health and well being: Babies Born healthy – measured by	
1	Infant mortality rate for all races (per 1,000 live births)
2	Rate of live births to adolescents between 15 and 19 years of age (per 1,000 women)
Promoting health and well being: Healthy children, adolescents, and adults – measured by	
3	Percent of Maryland children fully immunized (by 24 months)
4	Number of children under 6 years of age with elevated blood lead levels (>10ug/dl)
5	Cumulative percent change from the calendar year 2000 baseline for underage high school students smoking cigarettes
6	Overall cancer mortality rate per 100,000 persons (age adjusted to 2000 U.S. Standard Population)
7	Percent change in number of new HIV cases from calendar year 2000 baseline
8	Rate of primary/secondary syphilis incidence (cases per 100,000)
9	Number of reported cases of vaccine preventable communicable diseases including hepatitis A, measles, mumps, pertussis
Promoting health and well being: Services to the disability community – measured by	
10	Number of people with disabilities who achieved successful employment through assistance by the Department of Education’s Disability Rehabilitation Services rehabilitation programs
11	Percent of Developmental Disabilities Administration Community Service respondents of the “Ask ME Survey” who expressed satisfaction with physical well-being, personal development, and self-determination (reported separately)
Promoting health and well being: Substance abuse treatment – measured by	
12	Percent of substance use decrease during substance abuse treatment
Promoting health and well being: Mental health services – measured by	
13	Percent of adults who report mental health services have allowed them to deal more effectively with daily problems
Environment	
Restoring the health of the Chesapeake Bay and its living resources – measured by	
1	Acres of submerged aquatic vegetation
2	Blue crab landings (3 year average)
3	Oyster landings (3 year average)
4	Estimated nitrogen load to the Chesapeake Bay from Maryland (in million pounds)
Improving and protecting water quality and ensuring safe drinking water – measured by	
5	Watersheds impaired by nutrients
6	Percent of Marylanders served by public water systems in significant compliance with all rules adopted as of 2002

Exhibit 3
Managing for Results – State Comprehensive Plan
List of 62 Performance Measures in Plan

Page 4 of 4

Performance Area	
Goal	
MFR Measure	
Ensuring clean air – measured by	
7	Three-year average of days the one-hour ozone standard was exceeded
Restoring contaminated industrial sites to productive use – measured by	
8	Number of acres of property in the Voluntary Clean-up Program completed and a No Further Requirements Determination or a Certificate of Completion issued
Reducing hazardous waste and hazardous materials in the environment – measured by	
9	Number of remedial actions at all State Superfund sites that are completed
Commerce	
Helping businesses to grow and create jobs – measured by	
1	Percent change in Maryland employment from the 2001 baseline (12 month average)
2	Rate that adult employment trainees enter employment
3	Maryland Port Administration total general cargo tonnage (thousands)
4	Estimated direct expenditures from film, television, and other production activities in Maryland
5	Annual Baltimore Washington International Airport passenger growth rate
Improving the State’s transportation infrastructure – measured by	
6	Percent of State system roadway mileage with acceptable ride quality
7	Percent of bridges on the State portion of the National Highway System that will allow all legally loaded vehicles to safely traverse
8	Total ridership for bus and rail transit (in millions)
9	System Preservation Funding Levels in the Consolidated Transportation Program (in millions)
Invigorating communities – measured by	
10	Home ownership
11	Annual percent change in Maryland per capita personal income
12	Total acres enrolled in agricultural preservation districts
Making the most of Maryland’s history and culture – measured by	
13	Value of rehabilitation expenditures approved for the State Rehabilitation Tax Credit for restoration and preservation of historic properties
Fiscal Responsibility	
Effective resource management – measured by	
1	Number of fiscal years closed with a positive General Fund balance
2	Maintaining a triple A bond rating from all three nationally recognized bond rating agencies for each issuance of State General Obligation Bonds

Exhibit 4
Managing for Results Audit Reports
Previously Issued by the Office of Legislative Audits
Pertaining to the 62 Measures

Report	Report Date	Number of Measures Audited
Public Safety and Safer Neighborhoods	March 19, 2009	13
Education	October 2, 2009	6

AUDIT TEAM

Edward L. Shulder, CPA
Audit Manager

David S. Propper
Senior Auditor

Carey L. Harper
Staff Auditor