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An Audit Report on

Performance Measures at the Board of Tax Professional Examiners

April 2009

Report No. 09-027



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Overall Conclusion

The Board of Tax Professional Examiners (Board) reported reliable results for six (67 percent) of nine key performance measures tested for fiscal year 2008. A performance measure result is considered reliable if it is certified or certified with qualification.

For all key performance measures tested, the Board did not have written policies and procedures describing the collection and calculation of its performance measure data. In addition, the Board lacked adequate supervisory reviews to ensure accuracy of reported results. Because of these issues, the following six key performance measures were certified with qualification:

- Percent of Complaints Resulting in Disciplinary Action.
- Number of Complaints Resolved.
- Number of Persons Certified/Recertified.
- Number of New Licenses Issued to Individuals.
- Number of Approved Courses Offered.
- Number of Course, Sponsor, and Instructor Applications Processed.

In addition, two key performance measures—Average Licensing Cost Per Individual License Issued and Total Number of Individuals Licensed—were inaccurate because the Board deviated from the measure definition and methodology in ABEST. The Board also lacked formal policies and procedures for when the data for these measures is entered into the Board's Registrant Tracking System.

Background

Agencies report results for their key measures to the Legislative Budget Board's budget and evaluation system, which is called the Automated Budget and Evaluation System of Texas, or ABEST.

The Board of Tax Professional Examiners' (Board) major functions are to:

- Certify all registrants in the fields of appraisal, assessing-collecting, or both based upon education, experience, and testing.
- Ensure property tax professionals' compliance with ethical conduct standards.
- Maintain a statewide education program for property tax professionals.

Key Measures

Key performance measures are:

- Budget drivers that are generally externally focused.
- Closely related to the goals identified in the statewide strategic plan.
- Reflective of the criteria of good performance measures.

Source: *Guide to Performance Measure Management* (State Auditor's Office Report No. 06-329, August 2006).

Factors prevented the certification of one key performance measure—Percent of Licensees with No Recent Violations—because the Board did not maintain source documentation for this measure.

Table 1 summarizes the certification results for the nine performance measures tested.

Table 1

Board of Tax Professional Examiners (Agency 337)				
Related Objective or Strategy, Classification	Description of Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a
A., Outcome	Percent of Complaints Resulting in Disciplinary Action	2008	12.5%	Certified with Qualification
A.1.1, Output	Number of Complaints Resolved	2008	24	Certified with Qualification
A.1.1, Output	Number of Persons Certified/Recertified	2008	464	Certified with Qualification
A.1.1, Output	Number of New Licenses Issued to Individuals	2008	477	Certified with Qualification
A., Outcome	Number of Approved Courses Offered	2008	143	Certified with Qualification
A.1.1, Output	Number of Course, Sponsor, and Instructor Applications Processed	2008	21	Certified with Qualification
A.1.1, Efficiency	Average Licensing Cost Per Individual License Issued	2008	\$37.77	Inaccurate
A.1.1, Explanatory	Total Number of Individuals Licensed	2008	4,422	Inaccurate
A., Outcome	Percent of Licensees with No Recent Violations	2008	99%	Factors Prevented Certification

^a A measure is **Certified** if reported performance is accurate within plus or minus 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

A measure is **Certified With Qualification** when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

A measure is **Inaccurate** when the actual performance is not within 5 percent of reported performance, or when there is more than a 5 percent error in the sample of documentation tested. A measure is also inaccurate if the agency's calculation deviated from the measure definition and caused more than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

A **Factors Prevented Certification** designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

Summary of Management's Response

The Board agreed with the recommendations in this report.

Summary of Information Technology Review

Auditors assessed the information technology (IT) controls over the Board's Registrant Tracking System, which it uses to collect and calculate performance measure data. Auditors evaluated general IT controls such as logical access, program changes, physical security, and disaster recovery. Auditors also evaluated application controls such as input controls, process controls, and output controls.

The Board does not have adequate controls over its information technology to ensure the security and reliability of its performance measure data (see Chapter 2 of this report for additional information). To minimize risks, auditors communicated details about these issues in writing to the Board's management.

Summary of Objectives, Scope, and Methodology

The objectives of the audit were to determine whether the Board:

- Accurately reports selected key performance measures to the Automated Budget and Evaluation System of Texas (ABEST).
- Has adequate control systems in place over the collecting, calculating, and reporting of selected key performance measures.

The audit scope included nine key performance measures the Board reported for the fiscal year 2008. Auditors also reviewed controls over the submission of data used in reporting performance measures and traced performance measure documentation to the original source when available.

The audit methodology consisted of selecting nine performance measures, auditing reported results for accuracy and adherence to measure definitions, analyzing data flow to evaluate whether proper controls were in place, testing a sample of source documents, certifying performance measure results in one of four categories, and conducting a high-level review of all information systems that support performance measure data.

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Detailed Results

Chapter 1

The Board Reported Reliable Results for Six of Nine Performance Measures

The Board of Tax Professional Examiners (Board) reported reliable results for six (67 percent) of nine key performance measures tested for fiscal year 2008. A performance measure result is considered reliable if it is certified or certified with qualification.

In addition, two key performance measures were inaccurate because the Board deviated from the measure definition and methodology in the Automated Budget and Evaluation System of Texas (ABEST). The Board also lacked formal policies and procedures for entering data for these measures into its Registrant Tracking System. Factors prevented the certification of one key performance measure because the Board did not maintain source documentation for this measure.

Detailed Audit Results

For all key performance measures tested, the Board did not have any written policies and procedures describing the collection and calculation of its performance measure data.

In addition, the Board lacked adequate supervisory review to ensure accuracy of reported results. The Board's executive director calculated all the key performance measures; however, a second review was not conducted for any of the key performance measures. All of the data for key performance measures was entered by staff at the Office of the Comptroller of Public Accounts. Although the Board's executive director verified the information was entered correctly, this review was not documented.

**Performance Measures
Certified with Qualification**

A measure is certified with qualification when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

Percent of Complaints Resulting in Disciplinary Action

Number of Complaints Resolved

Number of Persons Certified/Recertified

Number of New Licenses Issued to Individuals

Number of Approved Courses Offered

**Number of Course, Sponsor, and Instructor Applications
Processed**

As a result of the issues regarding policies and procedures and supervisory reviews discussed above, these six performance measures were certified with qualification.

Recommendations

The Board should:

- Develop and implement detailed, written policies and procedures for ensuring adequate controls over collecting, calculating, and reviewing performance measures.
- Review performance measure calculations for accuracy and document this review.

Management's Response

Management agrees with recommendation. The Executive Director will develop procedures to ensure proper controls are in place over collecting, calculating and reviewing all performance measures. This will include checks and balances of all measures.

Average Licensing Cost Per Individual License Issued

Total Number of Individuals Licensed

The Board reported inaccurate results for Average Licensing Cost Per Individual License Issued and Total Number of Individuals Licensed in fiscal

Inaccurate Performance Measures

A measure is inaccurate when the actual performance is not within 5 percent of reported performance, or when there is more than a 5 percent error in the sample of documentation tested. A measure is also inaccurate if the agency's calculation deviated from the measure definition and caused more than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

year 2008 because it deviated from the measures' definitions and methodologies in ABEST. The Board also had weak input controls for these measures because it lacked formal policies and procedures for data that is entered into the Registrant Tracking System. As discussed above, the Board has no policies and procedures for these measures and did not review these measures.

The Board calculated Average Licensing Cost Per Individual License Issued by dividing the total number of active registrants and new registrants by the funds for the registration and certification strategy. However, the Board did not always correctly classify active or new registrants. The Board incorrectly classified 6 of 61 registrants as active registrants, which resulted in a 9.8 percent error rate. (The Board correctly classified new registrants.)

When calculating the performance measure Total Number of Individuals Licensed, the Board incorrectly counted the number of licenses issued instead of the number of licensees. The Board reported 4,422 individuals licensed in ABEST, but auditors determined there were 4,113 individuals licensed, a variance of more than 5 percent for this performance measure.

Recommendations

The Board should:

- Develop policies and procedures for inputting data into the Registrant Tracking System.
- Ensure that each individual license's current status for the reporting period is accurate.
- Ensure that it reports accurate numbers for individual licenses issued.
- Recalculate the Average Licensing Cost Per Individual License Issued and the Total Number of Individuals Licensed and submit the results to the Legislative Budget Board.

Management's Response

Management agrees with recommendation. The Executive Director will implement a policy and procedures. Policy and procedure will be developed

to ensure proper input of all data into the Registrant Tracking System. The procedure will include a check of all data input into the system.

Percent of Licensees with No Recent Violations

Factors Preventing the Certification of Performance Measures

Factors prevented the certification of a performance measure if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

Factors prevented the certification of Percent of Licensees with No Recent Violations because the Board did not maintain source documentation for this measure. The Registrant Tracking System contains the data used to report this measure. However, all of the fields in the Registrant Tracking System can be overridden by all staff. Because of this, the reports used to determine Percent of Licensees with No Recent Violations could not be re-created.

As discussed above, the Board also lacks policies and procedures and conducted no review of the performance measure calculation.

Recommendation

The Board should maintain electronic or physical copies of source documents for its performance measures.

Management's Response

Management agrees with recommendation. The Executive Director will implement the new procedure to save a copy of the database file for each quarter of the fiscal year.

The Board Should Strengthen Controls Over Its Information Technology

The Board does not have adequate controls over its information technology to ensure the security and reliability of its performance measure data. The overall controls over information technology at the Board should be strengthened to ensure the integrity and accuracy of performance measure data.

Auditors identified weaknesses in both application controls and general controls over the Registrant Tracking System.

Application Controls

- The Board did not properly establish the access rights for its server, which allowed four generic accounts to have administrative access to the entire domain, including program files and folders containing performance measure data.
- The Board did not properly secure access to the Registrant Tracking System. Specifically, the Board's executive director creates and maintains all employee network and database passwords for all nine key performance measures tested.
- The Registrant Tracking System does not maintain any audit trails to record who makes changes to data and what changes are made.
- The Registrant Tracking System's user IDs do not provide automated segregation of duties. For example, all user IDs within the Registrant Tracking System are capable of issuing a license, certifying an individual, changing a status to active/inactive, or updating continuing education units.

General Controls

- The Board extracts data used in calculating performance measures from the Registrant Tracking System using automated queries. However, extracted data is not reconciled or validated to ensure its accuracy.
- The Board exports data queried from the Registrant Tracking System into Excel spreadsheets. However, the Excel spreadsheets are unsecured and stored in unsecured folders.
- The Board has not established policies and procedures for password or user ID management and program change requests.
- The Board did not test its disaster recovery plan annually. In addition, the disaster recovery plan was not dated, regularly reviewed, or updated. The

disaster recovery plan also lacked required elements to ensure software applications could continue to run in the event of a disaster.

Recommendations

The Board should:

- Ensure that it does not use generic user IDs and that system passwords are private.
- Strengthen edit checks in the Registrant Tracking System to ensure that invalid dates are not accepted.
- Regularly review and test user access on the main network and the Registrant Tracking System to ensure that users have access levels appropriate to their job duties and deactivate user accounts for former employees immediately upon their termination.
- Improve user access controls to ensure that only appropriate personnel have access to secured folders, programs, and files on the main network.
- Review and strengthen information technology policies and procedures to establish proper management of passwords, user IDs, and program change requests to ensure that employees use the system correctly and to ensure continuity of the system.
- Implement all disaster recovery plan elements in the Department of Information Resources' guidelines.

Management's Response

Management agrees with recommendation. The Executive Director will review all user IDs for the network and initiate periodic reviews to ensure proper access for all required users.

The Executive Director will contact the Department of Information Resources to ensure the disaster recovery plan is in compliance with their guidelines.

Appendix

Appendix

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Board of Tax Professional Examiners (Board):

- Accurately reports selected key performance measures to the Automated Budget and Evaluation System of Texas (ABEST).
- Has adequate control systems in place over the collecting, calculating, and reporting of selected key performance measures.

Scope

The scope of this audit included nine key performance measures the Board reported for fiscal year 2008. Auditors reviewed controls over the collection, calculation, and submission of data used in reporting performance measures and traced performance measure documentation to the original source when available.

Methodology

The audit methodology consisted of selecting nine key performance measures the Board reported in ABEST. Auditors conducted interviews with the Board's staff related to its performance measurement process to help identify preliminary control information.

Specific tests and procedures included:

- Audited measure calculations for accuracy and to ensure that they were consistent with the methodology on which the Board and the Legislative Budget Board agreed.
- Analyzed data flow to evaluate whether proper controls were in place.
- Tested a sample of source documents, when available, to verify the accuracy of reported performance.
- Conducted a high-level review of all information systems that support the performance measure data.
- Certified performance measure results in one of four categories: (1) certified, (2) certified with qualification, (3) inaccurate, and (4) factors prevented certification.

Criteria used included the following:

- *Guide to Performance Measure Management* (State Auditor's Office Report No. 06-329, August 2006).
- ABEST performance measure definitions.

Project Information

Audit fieldwork was conducted from February 2009 through March 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Cesar Saldivar, CGAP, CICA (Project Manager)
- Olivia Gutierrez (Team Leader)
- Kenneth Manke
- Barbette Mays
- Christy Srubar
- Dana Musgrave, MBA (Quality Control Reviewer)
- Nicole Guerrero, MBA, CIA, CGAP, CICA (Audit Manager)

Copies of this report have been distributed to the following:

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The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Rene Oliveira, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Board of Tax Professional Examiners

Members of the Board of Tax Professional Examiners

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Mr. Jim Childers, Secretary

Mr. Pollard H. Coates, IV

Ms. Linda Hatchel

Mr. Steve Mossman

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