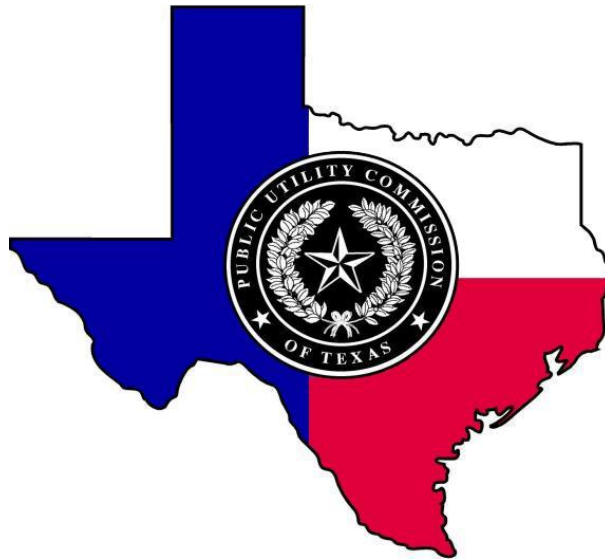


An Internal Audit Report on

The Public Utility Commission's Key Performance Measures

Project No. 2019-100
August 2019



Internal Audit Division

Public Utility Commission of Texas

Includes State Fiscal Years 2018 and 2019

Executive Summary

The Public Utility Commission of Texas (Commission) reported reliable results for 12 of the 14 selected key performance measures tested. Testing identified several effective controls; however, some controls were not consistently followed or in some instances the controls for data collection were not adequate, resulting in a rating of certified with qualifications for the 12 measures deemed reliable.

Overarching issues affecting all 14 measures were identified throughout the audit. Every measure had outdated procedures that do not reflect the actual steps being performed by the analyst. All procedures include a step for an independent review by an assigned auditor to be done prior to submitting the results. Reviews were not done independently for 11 of 14, or 79% of the measures tested. The Commission's performance measure database has a procedure in place intended to segregate the duties between the analyst and the assigned auditor. The database only allows the analyst who prepared the data to indicate the independent review has been completed. This can be done without confirmation or input from the assigned auditor. This control is not adequate as designed. Performance measure policies instruct the auditor to send the analyst an email confirming the review is complete. This is a useful mitigating control to segregate the duties between the analyst and the auditor but only when done consistently.

The Commission did not report reliable results for the following two measures:

- Factors prevented certification of the Number of Website Hits to the Customer Protection Home Page key performance measure. The Commission did not follow the definition found in the Automated Budget and Evaluation System of Texas (ABEST).
- The Number of Enforcement Investigations Conducted key performance measure was inaccurate because cases for the reporting period were added to the database after the analysts had reported the totals.

Other less significant issues were reported to each division director in writing concerning the performance measures assigned to their area.

Summary of Audit Objectives and Scope

The objectives of this audit were to determine whether the Public Utility Commission's performance measure data as reported in ABEST is accurate and determine whether the controls in place for the collection, calculation, and reporting are adequate. The scope of this audit included one key performance measure reported annually at the end of fiscal year 2018 and 13 key performance measures that were reported for fiscal year 2019, quarter three (March 1st through May 31, 2019).

Summary of Performance Measures by Division

Measure	Measure Description	Outcome	Division
OP 1-2-1.03	Number of Water Utility Rate Reviews Performed	Certified with Qualification	Water Utility Regulation
OP 1-2-1.04	Number of Water Certificate of Convenience Applications Processed	Certified with Qualification	Water Utility Regulation
EF 2-2-1.01	Average Number of Days to Conclude Customer Complaints	Certified with Qualification	Customer Protection
EF 2-1-1.01	Percentage of Customer Information Product Distributed Electronically	Certified with Qualification	Customer Protection
EX 2-1-1.01	Annual Number of Website Hits to Customer Protection Home Page	Factors Prevented Certification	Customer Protection
OC 2-2.01	Percentage of Customer Complaints Resolved through Informal Complaint Resolution Process	Certified with Qualification	Customer Protection
OP 2-2-1.01	Number of Customer Complaints Concluded	Certified with Qualification	Customer Protection
OP 2-1-1.01	Number of Information Requests to Which Responses Were Provided	Certified with Qualification	Customer Protection
EF 1-1-1.01	Average Number of Days to Process an Application for a Telecom COA & SPCOA	Certified with Qualification	Office of Policy and Docket Management
EF 1-2-1.01	Average Number of Days to Process a Major Rate Case for a TDU	Certified with Qualification	Office of Policy and Docket Management
OP 1-2-1.01	Number of Rate Cases Completed for Regulated Electric Utilities	Certified with Qualification	Office of Policy and Docket Management
OP 1-2-1.02	Number of Rate Cases Completed for Telecommunications Providers	Certified with Qualification	Office of Policy and Docket Management
OP 1-1-1.02	Number of Cases Completed Related to Competition Among Providers	Certified with Qualification	Office of Policy and Docket Management
OP 1-3-1.01	Number of Enforcement Investigations Conducted	Inaccurate	Oversight and Enforcement

Detailed Results

Chapter 1

The Public Utility Commission Reported Reliable Results for Twelve Performance Measures, But Should Improve the Audit Process and Strengthen its Procedures

The Public Utility Commission of Texas (Commission) reported reliable results for 12 key performance measures tested. The 12 measures were deemed accurate receiving a rating of certified with qualification. Inadequate procedures and controls identified throughout testing contributed to the rating. In all instances the procedures included outdated steps that could prevent accurately reported results.

There are documented policies to maintain segregation of duties such as requiring independent audit verifications of the calculated measure. These policies were not consistently followed. The performance measure database includes a control that signals the measure has been independently audited. This control is not designed in a way to be effective. Testing of the database confirmed only the analysts who prepared the measure can mark the measure as being independently audited. This defeats the purpose of separating the duties between the analyst and the auditor. A mitigating control has been put in place requiring the auditor to email the analyst once the review is complete. However, documentation was not consistently available showing this is being done.

The analysts should update all performance measure policies and procedures at least annually or as changes occur to avoid inaccurate results and contribute to the continuity of the agency. All auditors should perform an independent review of their assigned measures and document the review as required.

According to the *Guide to Performance Measure Management, 2012 Edition*, “a performance 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 performance measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure is also certified with qualification if agency calculation of performance measure deviated from the performance measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.”

The Public Utility Commission Reported Unreliable Results for Two Performance Measures

The Commission reported unreliable results for two key performance measures. Factors prevented certification for the measure “Number of Website Hits to the Customer Protection Home Page”. The measure “Number of Enforcement Investigations Conducted” was rated as inaccurate.

Number of Website Hits to the Customer Protection Home Page

The results being reported include all web pages under Customer Protection’s purview not just the home page as indicated in the measure’s definition. In addition, only visits by new users are being counted, which is not a requirement of the performance measure. The deviation from the measure definition resulted in a rating of factors prevented certification.

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 performance measure definition and the auditor cannot determine the correct performance measure result.

Source: *Guide to Performance Measure Management 2012 Edition*

The division should adhere to the measure definition as written. Due to the limited data available from Google Analytics, the auditor was not able to determine with certainty what the correct performance measure result should be. All policies and procedures for this measure should be updated to reflect the measures definition and the division should ensure an independent review is being done prior to submitting the results for entry into ABEST.

Number of Enforcement Investigations Conducted

Testing of the measure determined the results reported in ABEST for the third quarter of fiscal year 2019 were inaccurate. Two cases were added to the division’s case log after the calculation and submission of the measure to ABEST. This resulted in a 10% error for the quarter tested. A measure is rated inaccurate when the error rate between actual performance and reported performance is 5% or greater.

The division should strengthen the controls over the data collection process and update all policies and procedures related to the assigned performance measure.

Appendix

Objectives, Scope, and Methodology

Objectives

- To determine the accuracy of the Public Utility Commission's performance measure data as reported in the Automated Budget and Evaluation System (ABEST)
- The adequacy of related controls in place concerning the collection and reporting of selected performance measures.

Scope

The scope of this audit included one annual key performance measures reported for fiscal year 2018 and 13 key measures reported for the third quarter of fiscal year 2019.

Methodology

The methodology included interviews with agency staff, review of policies and procedures, testing of selected controls included in the performance measurement process, documentation reviews, and analytical procedures to determine the accuracy of each measure reported.

Sampling Methodology

Sampling was done using nonstatistical samples from databases, spreadsheets, and all means of data collection used for each measure included in the scope of this audit. The samples were used to determine if controls were operating effectively to ensure results reported in ABEST were accurate.

Information collected and reviewed includes:

- Performance measure data in the agency's performance measure database
- Data maintained in ABEST
- Supporting documentation such as emails, manual data counts, and spreadsheets.

Testing

Testing included the following:

- Interviewed each analyst responsible for the calculation of each measure as well as the agency staff responsible for entering all data into ABEST.
- Gathered all data concerning each performance measure and recreated the measure as defined in ABEST to determine the accuracy of what was submitted.
- Tested source documentation to determine if data was accurate and reliable

The criteria used throughout the audit was:

- *The Guide to Performance Measure Management, 2012 Edition.*
- Definitions and methodology found in ABEST for each measure tested.
- Policies and procedures from each analyst.

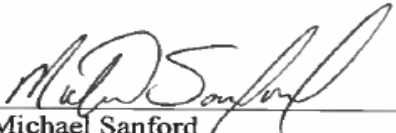
Project Information

Audit fieldwork was conducted from July 2019 through August 2019. This was a performance audit conducted in accordance with generally accepted government auditing standards. Internal Audit believes that the evidence obtained provides a reasonable basis for the conclusions based on the audit objectives.

PUBLIC UTILITY COMMISSION OF TEXAS

Internal Audit Project #2019-100

August 2019


Michael Sanford
Internal Auditor, Public Utility Commission

This report has been provided to the following:

Mr. John Paul Urban, Executive Director, Public Utility Commission
Ms. DeAnn Walker, Chairman, Public Utility Commission
Mr. Arthur D'Andrea, Commissioner, Public Utility Commission
Ms. Shelly Botkin, Commissioner, Public Utility Commission

Other appropriate PUC management and posted on the agency Intranet.

Copies of this report have been distributed to the following in accordance with Government Code §2102.0091:

Office of the Governor
Mr. John Colyandro
Budget, Planning and Policy
Insurance Building, Suite 400.200
Austin, TX 78701

Legislative Budget Board
Mr. Christopher Mattsson
1501 N. Congress Ave., Suite 5.224
Austin, TX 78701

State Auditor's Office
Internal Audit Coordinator
Robert E. Johnson Bldg., Suite 4.224
1501 N. Congress Avenue
Austin, TX 78701

Sunset Advisory Commission
Ms. Jennifer Jones, Director
1501 N. Congress Avenue, Suite 6.124
Austin, TX 78701