

Summary of Request:

This report is intended to provide validation of performance measure accuracy to the Board. The performance measures are important internal and external factors used by the Legislature, Board members and staff to gauge the productivity of the agency.

Historical Perspective:

It has been more than 12 years since our last official audit of performance measures. This is the one area that “keeps me up at night” since the accuracy of this data is the foundation of decisions made by the agency and the legislature. Also, the Office of the State Auditor had increased the number of performance measure audits of State Agencies which means that the Texas Board of Nursing will be in line for an audit in the near future. This is a proactive move to review our internal statistical procedures by a third party and provide the agency feedback on this process.

Pros and Cons:

Pros: The review will allow the agency to assure itself that agency statistics are accurate and provide validated evidenced based information to the decision-making process.

Cons: None

Staff Recommendation:

Board Action: No action is necessary. This is an informational report only.

Sherman Larry Vinyard

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August 31, 2007

Subject: Results of Agreed Upon Procedures Performed for Management's Performance Measures

Board Members
Board Executive Management Members

This report presents results of agreed upon procedures performed in support of the Board's Executive Management examination of performance measures data. The agreed upon procedures in no way constitute a financial audit, review, or compilation as defined by the Texas State Board of Public Accountancy. Therefore, no opinions are expressed on the material examined related to Board Performance Measurers.

The agreed upon procedures identified potential improvements and changes in the collection of performance measure data after discussions with Board management. Although no significant changes appear necessary to accumulate Board Performance Measures statistics for those examined, some improvements can be made in the processes. The detail is included in each performance measure summary that follows this transmittal letter. The most consistent observation was to improve the documentation to explain how the performance measure information is accumulated.

The report includes results for the five performance measures reviewed from June to August 2007. Supporting data for Registered Nurse statistics were examined. Since Licensed Vocational Nurse data is subject to the same procedures, the detail finding information can generally be applied to data for Licensed Vocational Nurses.

Board Executive Management selected the performance measures to be reviewed. Executive management also provided documentation for the examination. Board management and staff were available to answer questions and provide documentation as requested.

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For additional information, the Texas State Auditor's web site contains a comprehensive guide to how audit representatives conduct performance measure reviews.

Sincerely,

Sherman Larry Vinyard, CPA

Attachments:

A – Average License Cost Per Individual – Registered Nurses (RN)

B – Average Time/ Complaint Resolution – Registered Nurses

C – Percentage of Licensees With No Recent Violations

D – Number of Complaints Resolved—Adjudicate Violations

E -- (1) Number of Licenses Issued to Individuals and (2) Number of Individual Licenses

Renewed

Attachment A

Performance Measure: Average License Cost Per Individual – Registered Nurses (RN)

What was Tested:

- A. The Report entitled Licensing – Average License Cost Per Individual – RN for the second quarter of fiscal year 2007
- B. Underlying financial statistics used to calculate the average cost

Procedures:

- A. Obtained the report entitled “Licensing – Average License Cost Per Individual – RN for the second quarter of fiscal year 2007.
- B. Obtained background information for performance measure.
- C. Obtained the worksheet with financial information used to calculate the average license cost for the second quarter.
- D. Review the work sheet for reasonableness.
- E. Interviewed Director of Operations and Accountant about individual amounts on the work sheet.
- F. Computer programs were not reviewed for code or software procedures.

Results:

- A. Costs per license seemed understated.
- B. Percentage of time and salary allocated to license costs are not well documented and current. The percentages of salaries allocated should have documentation that would show how the percentages were derived. This should be kept current as a matter of policy. Quarterly updates would be ideal but they may not be practical.
- C. The overhead component of eight (8) percent is not well documented. The composition of overhead should be well defined and the methodology for determining the percentage should be well developed.
- D. The postage amount is not always included in quarterly calculation of license costs. The postage amount was based on the actual payment during the quarter rather than accruing a monthly postage cost for the calculation. This resulted in some quarters have no postage charges and other quarters had high amounts of postage charged. This inconsistency was large enough to make a significant difference to the quarterly calculations. Annually, postage charges were comparable because the total costs for the year were accumulated for the annual financial report.
- E. The average mailing costs have changed significantly during the past two years. The number of licenses has also significantly increased. These two elements have also increased the cost of licenses and the total cost of licenses issued.
- F. The target range of license costs should be discussed with the Legislative Budget Board. The current target of \$1.62 to \$1.79 was passed in the previous biennium and is unrealistic.

Recommendations: (1) Steps should be taken to correct or adjust processes to ensure consistent and full use of information to calculate the cost of issuing licenses.

(2) Steps should be taken to fully document the work sheet cost development steps. Careful documentation of salary percentages and other estimates would improve the information available and allow outside reviews to better understand the process. This should be done for items B through D in Results above.

(3) Annotate reports with source data references.

(4) Discuss the target range of license issue costs with the Legislative Budget Board with the idea of making the target range realistic.

(5) All reports should have the report name and any other pertinent references clearly included on the reports or documentation.

Attachment B

Performance Measure(s): Average Time/ Complaint Resolution – Registered Nurses (RN) and Licensed Vocational Nurses (LVN)

What was Tested:

- A. The Report entitled Average Time/ Complaint Resolution -- Registered Nurses (RN) and Licensed Vocational Nurses (LVN)

Procedures:

- B. Obtained the report entitled Average Time/ Complaint Resolution — Registered Nurses (RN) and Licensed Vocational Nurses (LVN)
- C. Obtained background information for performance measure.
- D. Reviewed background information.
- E. Interviewed Director of Operations, IT Supervisor, and Enforcement Director
- F. Computer programs extract the data (statistics) from the database known as “Nurse.”
- G. Computer programs were not reviewed for code or software procedures.

Results:

- A. The accumulation of average time for complaint resolution statistics seems reasonable based on available documentation except for item D below.
- B. Since a third external party is involved, it is reasonable to expect that if any of the licensees record is incorrect, the licensee would notify the Board. The information may affect the licensees’ license.
- C. The Legislative Budget Board target numbers may not be realistic. For the last two biennium, the Board has exceeded the targets by about 17 days or ten percent.
- D. In the Fine and Remedial Education actions, at least six cases required from 854 days to 3,469 days to resolve. These cases appear to be outside the control of the Board. It was not unusual to find case resolution taking from 800 to 1,500 days in other categories.

Recommendations: (1) The process should be fully documented.

(2) Annotate reports with source data references.

(3) The Board should consider testing the accuracy of the log in date for complaints and the Board resolution date entered in the licensees’ file. Currently, there is not test of dates in place. A mitigating circumstance is that the licensee is likely to identify errors because date errors would affect license usage.

(4) Discuss with the Legislative Budget Board the need for changing the target performance measure numbers.

(5) Consideration should be given to reclassifying cases that are no longer under the control of the Board and report them in a separate category. Actions no longer controlled by the Board should not be counted as part of Board performance.

Attachment C

Performance Measure: Percentage of Licensees With No Recent Violations

What was Tested:

- A. The computer generated report of Percentage of Licensees With No Recent Violations for May 31, 2007 was obtained for testing. This report contains four statistical accumulations. Both Registered Nurses (RN) and Licensed Vocational Nurses (LVN) have statistics for those (1) without Board actions, and, (2) with Board actions in this report. Only the RNs with Board Action statistic was tested. LVNs are subject to the same computer tally process. Therefore, any improvements suggested would apply to both categories since they are in the same database.
- B. The computer file named “dw_percent_violations” contains a listing of all RNs and LVNs with Board Actions. A sample of 50 RN license numbers from the list of 2,608 identified as having a Board Action in the past three years was tested to the date entered to determine if the Board Action was in the past three years (June 1, 2004 through May 31, 2007).
- C. The computer program was not tested to determine proper programming.

Procedures:

- A. A computer report entitled Percentage of Licensees With No Recent Violations as of May 31, 2007 was printed.
- B. Background material was obtained from Management.
- C. An extract of information columns for each of the files related to the 2,608 was printed.
- D. A judgmental sample of 50 license numbers was identified using statistical methods. Random starting point was line 17 of the first page and then every 52nd license number.
- E. The sample was traced to the computer file Board Action Date to ensure that the date was within the three-year window.

Results: No exceptions were identified. Based on the limited test work, the report of licensees with Board Action appears to be a reasonable representation of the statistics accumulated by the Board and reported as a performance measure.

NOTE: Since a third party is involved, it is reasonable to expect that the date of Board Action on file would be contested by the licensee if the date was wrong. Board actions are documented in Board minutes. Any dispute could be solved by the board minutes.

Recommendations: (1) Improve process documentation used to accumulate the statistics in this performance measure.

(2) Annotate reports with source data references.

Attachment D

Performance Measure(s): Number of Complaints Resolved—Adjudicate Violations – Registered Nurses (RN) and Licensed Vocational Nurses (LVN) Complaints Resolved

What was Tested:

- A. The Report entitled Number of Complaints Resolved—Adjudicate Violations – Registered Nurses (RN) and Licensed Vocational Nurses (LVN) Complaints Resolved

Procedures:

- B. Obtained the report entitled Number of Complaints Resolved—Adjudicate Violations – Registered Nurses (RN) and Licensed Vocational Nurses (LVN) Complaints Resolved
- C. Obtained background information for performance measure.
- D. Reviewed background information.
- E. Interviewed Director of Operations and Enforcement Director
- F. Computer programs extract the data (statistics) from the database known as the Enforcement Case Log Maintenance.
- G. Computer programs were not reviewed for code or software procedures.

Results:

- A. The accumulation of complaints resolved statistics seems reasonable based on the narrative and supporting documentation.
- B. Since a third external party is involved, it is reasonable to expect that if any of the licensees record is incorrect, the licensee would notify the Board. The information may affect the licensees' license.
- C. The Legislative Budget Board target numbers may not be realistic because of the growth in the number of licensees.

Recommendations: (1) The process should be fully documented.

(2) Annotate reports with source data references.

(3) Discuss with the Legislative Budget Board the need for changing the target performance measure numbers.

Attachment E

Performance Measure(s): (1) Number of Licenses Issued to Individuals and (2) Number of Individual Licenses Renewed.

What was Tested:

- A. The Report entitled (1) Number Licenses Issued to Individuals and (2) Number of Individual Licenses Renewed. The two reports are extracted from the same database, “dw_end_days2”.

Procedures:

- B. Obtained the report entitled (1) Number Licenses Issued to Individuals and (2) Number of Individual Licenses Renewed. The two reports are extracted from the same database, “dw_end_days2”.
- C. Obtained background information for performance measure.
- D. Reviewed background information.
- E. Interviewed Director of Operations and IT Director
- F. Computer programs extract the data (statistics) from the database. The original state license date and renewal license date are entered on each licensee record. Two Board employees verify the information.
- G. The total of “New” or “Initial” licenses is balanced against a log of permanent licenses issued. Other quarterly checks are made.
- H. Computer programs were not reviewed for code or software procedures.

Results:

- A. The accumulation of license statistics seems reasonable based on the narrative and supporting documentation.
- B. The verification of data by two employees seems to result in a high degree of accuracy for licensee data.
- C. Since a third external party is involved, it is reasonable to expect that if any of the original issue or license renewal were incorrect the licensee would contact the Board for correction. These two dates affect the licensees’ license costs.

Recommendations: (1) The process should be fully documented.

(2) Annotate reports with source data references.