



STATE OF UTAH

Office of the Legislative Auditor General

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Audit Subcommittee of the Legislative Management Committee

President J. Stuart Adams, Co-Chair • Speaker Brad R. Wilson, Co-Chair
Senator Evan J. Vickers • Representative Francis D. Gibson
Senator Karen Mayne • Representative Brian S. King

KADE R. MINCHEY, CIA, CFE
AUDITOR GENERAL

October 19, 2021

Senator Michael S. Kennedy, Chair
Representative Merrill F. Nelson, Chair
Health and Human Services Interim Committee
Utah State Capitol Complex
Salt Lake City, UT 84114

Dear Senator Kennedy and Representative Nelson:

Attached is the legislative audit report #2021-12, *A Performance Audit of Social Service Agencies' Performance Measures*. In accordance with *Utah Code* 36-12-8, the Legislative Audit Subcommittee passed a motion referring this audit report to your committee for further review and action as appropriate. The audit report was also referred to the *Social Services Appropriations Subcommittee*, which was designated as the lead committee to follow-up on the audit and report back to us. Therefore, you may want to coordinate your review of the audit with that committee.

The Legislative Auditor General and staff have done extensive work and used valuable resources to perform the audit in a professional and thorough manner. We anticipate a response from your committee. Therefore, **for each recommendation to the Legislature**, we ask that your committee reach one of the following conclusions, or some combination of the three, by a motion and a vote:

- Draft legislation for the next legislative general session, if applicable;
- Conclude that the issues are significant but that more time is needed to develop solutions and consensus; or
- Conclude that there is insufficient committee support to study the issues further.

In addition, **for other (non-legislative) recommendations**, we ask that as part of your oversight role you determine whether appropriate action is being taken to address the audit findings. We ask that you report back to the Legislative Audit Subcommittee the conclusion(s) reached by your committee with a summary of the reasons for reaching this (these) conclusion(s).

Thank you for your efforts in this vital legislative role of oversight.

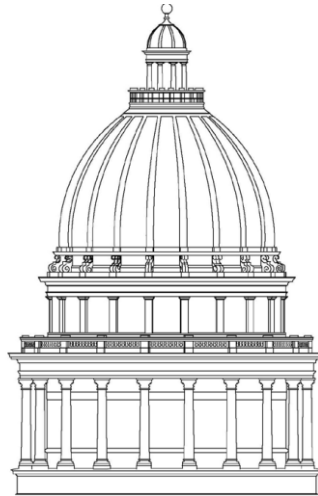
Sincerely,

J. Stuart Adams
President of the Senate
Utah State Senate

Brad R. Wilson
Speaker of the House
Utah House of Representatives

REPORT TO THE
UTAH LEGISLATURE

Number 2021-12



**A Performance Audit of
Social Service Agencies' Performance Measures**

October 2021

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah



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KADE R. MINCHEY, CIA, CFE
AUDITOR GENERAL

October 18, 2021

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of Social Service Agencies' Performance Measures** (Report #2021-12). An audit summary is found at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Kade minchey".

Kade R. Minchey, CIA, CFE
Auditor General



PERFORMANCE AUDIT

▶ AUDIT REQUEST

The request for this audit specified three aspects of performance measures in need of review in social services agencies:

Identify the performance measures and targets used to measure performance.

Determine if the performance measures are of high quality, relevant, and designed to encourage performance improvement.

Determine if the current targets are properly set to encourage program effectiveness and efficiency.

▶ BACKGROUND

In addition to addressing social service agencies' performance measures, this audit report gives recommendations to the Office of the Legislative Fiscal Analyst (LFA) and the Governor's Office of Planning and Budget (GOPB) as they seek to implement House Bill 326 from the 2021 General Session.

HB 326 outlines a performance measure improvement process for all executive branch agencies to be overseen by LFA, GOPB, and agencies. The improvements we report can be applied to all legislative appropriations subcommittees, not just social services.

Social Service Agencies' Performance Measures



KEY FINDINGS

- ✓ There are some major programs in the Department of Health (DOH) and Department of Workforce Services (DWS) that have no required legislative performance measures in base budget bills, limiting legislative oversight of these programs.
- ✓ Some performance measures can be enhanced by describing fiscal impacts rather than reporting agency activity levels.
- ✓ To help stakeholders understand performance measures, contextual information is needed regarding performance target significance, agency action plans, and external factors that may influence results.



RECOMMENDATIONS

When creating an information system for performance measures, social service agencies, LFA, and GOPB should:

- ✓ Address the oversight gaps that exist for large programs by considering funding levels or another basis (services offered, interagency processes) to allocate measures.
- ✓ Consider supplementing activity measures with those quantifying fiscal impacts and other impacts of agency efforts to achieve their accomplishments.
- ✓ Include brief statements regarding the basis for targets when reporting results in the new information system.
- ✓ Supplement performance results with the following contextual information:
 - 1) Meaningful targets
 - 2) Specific planned agency activities to improve
 - 3) External factors that may influence results



REPORT SUMMARY

Assigning a Similar Number of Measures to All Line Items Underrepresents the Largest Budgets

Required performance measures are consistently allocated among budget line items. Therefore, the Medicaid Services line item with \$3.3 billion in FY2020 appropriations has the same number of measures as the Children’s Health Insurance Program (CHIP) at \$139 million. Alternative methods to assign measures should be considered, such as funding level, services offered, and interagency processes.

The Increasing Costs of Social Services Necessitates Fiscal Impact Measures

From FY 2015 to FY 2020, the operating budget for social services agencies has grown by 5.8 percent annually,

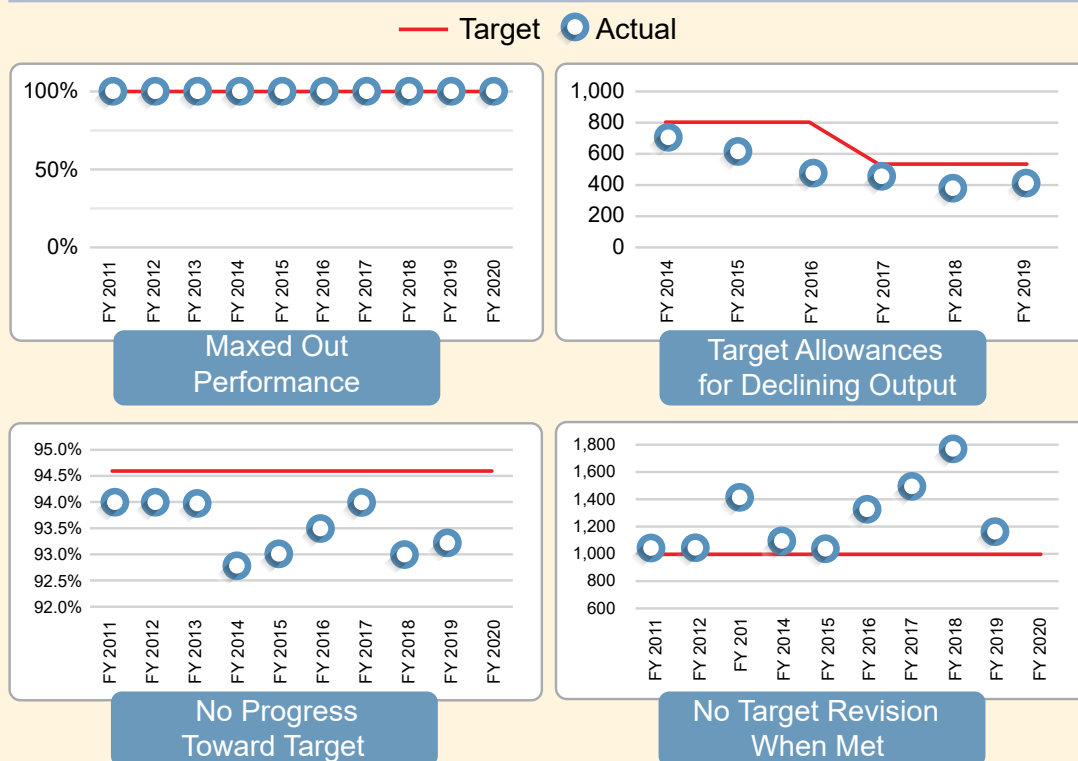
exceeding inflation. Therefore, efficiency measures and others that assess the fiscal impact of operations are needed rather than basic activity measures. Other fiscal impact measures might report the cost of errors associated with existing accuracy rates or risk factors delaying desired outcomes.

Descriptions of Targets, Action Plans, and Other Factors Clarify Legislative Goals

When legislative measures report no improvement, the significance of these undesirable results is unclear because expectations are poorly understood. Therefore, it is essential that stakeholders have a basic understanding of 1) the significance of performance targets, 2) agency action plans to achieve goals, and 3) factors beyond the agency that affect results. This contextual information should be incorporated into performance measure reporting.

This figure shows some concerning trends, as some measures report no improvement over a decade. Opportunities to improve these measures exist as their underlying goals and corresponding agency actions are revisited. This report emphasizes measures that promote improvements, while recognizing that practical limits exist.

Figure 1.1 Concerns Exist When Performance Results Stagnate or Trend Downward. In these examples, performance targets are shown as red lines, and agency results are indicated with blue markers.



REPORT TO THE UTAH LEGISLATURE

Report No. 2021-12

A Performance Audit of Social Service Agencies' Performance Measures

October 2021

Audit Performed By:

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Chapter I

Introduction

Performance measure reporting is a resource-intensive process, as Utah’s social services departments reported 248 distinct performance measures in 2020 to the Legislature. Many measures show results that are consistently below target and point to deteriorating performance. Other results show that targets have been met for several years, indicating that no specific improvement goal has been set. Both the Government Accountability Office (GAO) and the Governmental Accounting Standards Board (GASB) suggest that measures focus on the accomplishment of goals and objectives. Thus, opportunities abound to realign measures with legislative-driven improvement goals. The Legislature formalized performance measure efforts through House Bill 326 in the 2021 General Session. Accordingly, this audit report provides guidance to improve the quality of measures reported. Such guidance can be applied to all legislative appropriations subcommittees.

Based on several years of results and targets, some performance measures for social services agencies indicate unclear performance improvement goals.

Undesirable Results Signal Opportunities to Improve Existing Measures and Goals

Annually, Utah’s social services departments report on many aspects of their operations. While some measures show improving performance, others reflect undesirable trends. The performance measure landscape is increasingly congested by many measures with unclear performance improvement goals that should be revisited.

This report acknowledges that some valuable measures may not be focused on improvements. For example, one measure reports on the fund balance for Utah’s Unemployment Compensation Trust, where results should be within a band of minimum and maximum acceptable balances. Exceeding the band’s maximum as a perceived improvement is not appropriate. Thus, this report emphasizes measures that promote improvements, while recognizing that practical limits exist.

Concerning Measures Exist When Trends Show No Improvement over Time

Opportunities to improve these measures exist as their underlying goals and corresponding agency actions are revisited. Figure 1.1 shows

some concerning trends, as no improvement occurred over a decade. To focus on the trends, program details are omitted from the figure.

Figure 1.1 Concerns Exist When Performance Results Stagnate or Trend Downward. In these examples, performance targets are shown as red lines, and agency results are indicated with blue markers.



Source: Social Services Appropriations Subcommittee Performance Measure Reports and the Office of the Legislative Fiscal Analyst’s COBI website for fiscal year 21-22.

These multi-year trends suggest that prospects for improvement are limited as follows:

- **Maxed-Out Performance (top left):** As 100 percent compliance has been achieved for the past decade, there is no room for improvement.
- **Target Allowances for Declining Output (top right):** As results declined year after year, the target was revised downward, essentially validating lower performance levels.

Some existing measures provide minimal value to decision-makers, as it is unclear whether agencies are implementing strategies or taking specific action to affect their performance.

- **No Progress toward Target (bottom left):** For the past decade, results have stagnated in a narrow two percent band and never reached or exceeded the target.
- **No Target Revision When Met (bottom right):** Similar to the minimal progress scenario, this measure shows results that have always exceeded the target, which was never revised to promote growth.

These measures appear to provide minimal value to decision-makers, as it is unclear whether agencies are actively implementing strategies and taking specific action to affect their performance. Each scenario demonstrates, in its own way, a lack of progress toward meaningful goals and objectives.

For example, the bottom-right trend in Figure 1.1 can be described as a lack of “stretch” goals. The results for this measure consistently exceed the established target. More specifically, the Community and Mental Health Services program within the Division of Substance Abuse and Mental Health has a yearly target to provide mental health services to 1,000 homeless clients. Since fiscal year 2010, the program has annually served between 1,027 and 1,777 clients—exceeding the target for the past 11 years. This suggests that the target is irrelevant and needs to be reset, or that another measure should be adopted to promote more impactful improvements.

The extent to which a measure always or never meets its target is an indication of whether the measure reflects appropriate improvement goals. Figure 1.2 shows the propensity for selected measures to always be exceeding or missing their targets.

The severity of performance measures not promoting agency improvement is demonstrated in Figure 1.2, as 28 percent of measures reported to the Legislature have always reported results that exceeded set targets, raising concerns whether improvement goals exist.

Figure 1.2 Many Measures Have Always Exceeded or Always Missed Their Targets. For all base budget bill and COBI legislative measures, this figure shows the number and percent of measures where these trends relative to targets are concerning and warrant additional review.

Department <i>(Legislative Measures)</i>	Always Exceeded Target <i>(Percent)</i>	Always Missed Target <i>(Percent)</i>
Health <i>(81)</i>	28 <i>(34.6%)</i>	11 <i>(13.6%)</i>
Human Services <i>(86)</i>	21 <i>(24.4%)</i>	8 <i>(9.3%)</i>
Workforce Services <i>(81)</i>	20 <i>(24.7%)</i>	2 <i>(2.5%)</i>

Source: Auditor analysis of measures reported in the Office of the Legislative Fiscal Analyst's COBI and historical reports on Social Services Appropriations Base Budget Bill Measures.

Figure 1.2 shows that 28 percent of measures reported to the Legislature have shown agency performance always exceeding established targets. This raises an important question about whether these measures were really established for performance improvement. As will be discussed in the remaining chapters of this report, the inability to track real improvement can occur for various reasons, and recommendations are made to address specific deficiencies. Measures that lack meaningful improvement goals become distractions in an array of increasingly congested measures.

Measures Must Be Valuable, as Many Compete for Decision-Makers' Attention

Collectively, there are numerous measures reported by social services agencies, which the Legislature and its staff must sift through. Thus, it is important that measures be valuable and assist their intended audience with making decisions. Annually, the Legislature requires reporting on specific measures in base budget bills.¹ Each department also can report supplemental measures on the

The Legislature and its staff must sift through numerous performance measures to identify those that should affect budget decisions.

¹ "Core base budget bill measures" are those specified annually in the Social Services Base Budget Bill intent language. The limited capacity for measures to be specified in this bill indicates that these should be the core indicators legislators use for managing appropriations.

Compendium of Budget Information (COBI).² The 248 distinct measures reported to the Legislature mostly represent agency's operating and capital budget line items, but also include other appropriation types.³ The Legislature also has a requirement that new funding items over \$10,000 are required to have performance measures. These funding-item measures are not addressed in this report.

Agencies are also responsible for additional measures that are not driven by the Legislature and its staff. For example, many programs are heavily funded with federal funds that have their own reporting requirements. Finally, there are also internal measures that program managers use to lead their programs day-to-day.

Effective Performance Measures Encourage Agency Improvements via Goal Setting

A broad array of operational indicators can be considered performance measures. Figure 1.3 presents one of many desirable performance trends that can be observed. This example from the Department of Human Services' (DHS) Office of the Public Guardian shows actual results improving and eventually exceeding the target over time.

² "Supplemental COBI measures" are additional measures reported on the Legislative Fiscal Analyst's COBI website that were not required in base budget bill intent language but remain important for budget consideration.

³ "Appropriation types" are categories of funding that make up an agency's appropriation, including a primary operating and capital budget as well as other categories such as business-like activities and fiduciary funds.

Figure 1.3 The Office of Public Guardian Has Successfully Increased Case Transfers to Other Providers. Over time, the percentage of cases transferred to willing and capable family members and associates of legally incapacitated adults has increased.



Source: The Office of the Legislative Fiscal Analyst's COBI website for fiscal year 2021-22.

Figure 1.3 shows that cases referred to the Office of Public Guardian are increasingly transferred to another entity rather than to the state. The fiscal impact of this success allows state resources to focus on serving cases where no alternative service provider exists (i.e., where a willing and capable family member or associate is not available).

According to the Government Accountability Office (GAO) and the Governmental Accounting Standards Board (GASB), effective measures demonstrate how agency actions achieve a desired goal or objective, like the 10 percent target in Figure 1.3. These institutional subject matter experts on government accountability have described performance measures in the following terms:

- **GAO:** “Performance measurement is the ongoing monitoring and reporting of program accomplishments, *particularly progress toward preestablished goals.*”⁴ (emphasis added)
- **GASB:** “[Performance information] should include data that are essential to provide a *basis for understanding the accomplishment of goals and objectives* of the entity that have

⁴ [GAO-11-646SP](#): Performance Measurement and Evaluation – Definitions and Relationships.

Effective measures demonstrate how agency actions achieve a desired goal or objective.

potentially significant decision-making or accountability implications.”⁵ (emphasis added)

Both institutions describe performance measures in terms of attaining a specified goal or objective. GASB has provided guidance on how to assess performance measures related to financial reporting processes. This guidance seems applicable, given that the Legislature’s appropriations process incorporates financial and performance reporting as it makes important decisions related to governmental appropriations. GASB’s guidance includes the following set of qualitative characteristics:

- Relevance
- Understandability
- Comparability
- Timeliness
- Consistency
- Reliability

Due to the broad scope of measures assessed during this audit, the first three characteristics were emphasized, as they correspond most closely to the audit request. The remainder of this report assesses how these desirable qualitative characteristics are exhibited in the performance measures reported to the Legislature. Corresponding recommendations for improvement are centered around the newly formalized performance management process directed by House Bill 326, which was passed during the Legislature’s 2021 General Session.

Audit Scope and Objectives

House Bill 326 created an efficiency improvement process for reviewing, revising, and replacing existing performance measures. The bill directs the Office of the Legislative Fiscal Analyst (LFA) and the Governor’s Office of Planning and Budget (GOPB) to assess and adjust performance measures as necessary. Per *Utah Code* 63J-1-904(3)(a), the Office of the Legislative Auditor General then “shall independently review the results of each efficiency evaluation conducted under this section.” To avoid an independence impairment,

⁵ Concepts Statement 5: Service Efforts and Accomplishments Reporting.

Measures should exhibit qualitative characteristics that allow the Legislature’s appropriations process to understand fiscal impacts and make important budget-related decisions.

This report provides guidance that aligns with and anticipates the performance measure improvement process outlined in House Bill 326 from the 2021 General Session.

this current audit report does not prescribe specific measures. Instead, it applies the guidance prescribed by GASB to recommend broad solutions that apply to the many measures within Utah's social services agencies.

The request for this audit specified three aspects of performance measures in need of review:

- Identify the performance measures and targets used by each social services agency to measure performance.
- Determine if the performance measures are of high quality, relevant, and designed to encourage performance improvement.
- Determine if the current targets are properly set to encourage program effectiveness and efficiency.

Using GASB guidance on qualitative characteristics of good performance measures, the remaining chapters of this report focus on the following areas for improvement.

- Chapter II discusses the gaps that were observed as we identified the performance measures and targets used by each department. (Request Bullet #1)
- Chapter III discusses the relevance of existing measures and opportunities to be more effective by linking to fiscal impacts. (Request Bullet #3)
- Chapter IV discusses the communication of essential details that help decision-makers use measures. (Request Bullet #2)

Specific deficiencies are to be addressed by social services agencies, LFA, and GOPB. While this audit was requested by a member of the Social Services Appropriations Subcommittee, the recommendations contained in this report are applicable for all appropriations subcommittees as they evaluate their own performance measures.

Chapter II

Legislative Oversight Is Limited When Major Programs Lack Reported Measures

Performance measures can be a powerful tool to assist the Legislature with budget decisions. However, major programs in the Department of Health (DOH) and Department of Workforce Services (DWS) have no required legislative measures in base budget bills. Therefore, hundreds of millions of dollars appropriated to these programs lack legislative direction on what operational improvements should be prioritized. To address this issue, we recommend that social services agencies, the Office of the Legislative Fiscal Analyst (LFA), and the Governor's Office of Planning and Budget (GOPB) reallocate measures to more closely align with funding distributions.

LFA's Compendium of Budget Information (COBI) website has been a useful repository for reporting performance results of legislative measures. Limited availability of DOH measures for the fiscal year 2021–22 edition of COBI helped identify two best practices for reporting. First, COBI measures report valuable multiyear trends that allow easier analysis by stakeholders, compared with having only one or two years of data provided in October interim reports. Second, supplemental measures that are not required in base budget bills provide valuable contextual information and can allow required measures to focus on agency improvement goals set by the Legislature. These best practices should be considered as an information system to report legislative measure results is developed per *Utah Code* 63J-1-903(1), which was part of House Bill 326 that was passed during the 2021 General Session.

Assigning a Similar Number of Measures to All Line Items Underrepresents the Largest Budgets

Required performance measures for social services departments are assigned on a line-item basis rather than level of funding. This practice assigns three to five performance measures to each line item, regardless of size. For example, large and complex line items such as DOH's Medicaid Services have three measures, but with seven subsidiary programs receiving more than \$100 million in appropriations, some

Agency performance measures required by the Legislature should better align with funding distributions as major programs have minimal or no measures.

Performance measure reporting should include multi-year trends and COBI measures that supplement required base budget bill measures, which should focus on improvement goals set by the Legislature.

of these programs are left with no performance measures to report to the Legislature. Similarly, DWS has multiple divisions consolidated into a single line item, which also leaves some areas with no legislative-driven oversight.

While the Department of Human Services (DHS) has line items that vary in size, required measures for its division line items are provided for their most-funded programs. Given our recommendation that greater emphasis be placed on funding levels when assigning measures, DHS's operating budget is a potential model that emphasizes measures for the most-funded programs.

Three Measures for DOH's Medicaid Services Provide Limited Legislative-Driven Oversight

Medicaid Services accounts for the majority of social services appropriations each year, representing 59 percent of operating budget allocations for fiscal year 2020. As DOH's largest line item, Medicaid Services has 19 subsidiary programs such as Accountable Care Organizations, Nursing Homes, and Pharmacy. As the line item is largely federally funded, there are many federal reporting requirements. Therefore, the performance measures that the Legislature requires in its base budget bills are an important opportunity to drive improvements the Legislature desires—making programs federally funded and state managed.

Unfortunately, the current allocation practice for required base budget bill measures leaves major gaps, with large programs not represented by legislative performance measures and oversight. In base budget bills, annual performance measures are assigned to line items. For example, Medicaid Services, which was appropriated \$3.3 billion for fiscal year 2020, was assigned the following three measures:

- Percentage of children 3–17 years of age who had an outpatient visit with a primary care practitioner or obstetrics/gynecologist and who had evidence of body mass index percentile documentation (target = 70%)
- Percentage of adults 18–85 years of age who had a diagnosis of hypertension and whose blood pressure was adequately controlled (target = 65%)

The performance measures that the Legislature requires in its base budget bills are an important opportunity to drive improvements the Legislature desires—making programs federally funded and state managed.

- Annual state general funds saved through preferred drug list (target = \$16,000,000)

The first two of these measures are narrowly defined outcomes that apply to a broader mission of DOH. As measures are intended to assist the Legislature with budget management, the fiscal impact of the third measure seems more relevant. Linking fiscal impacts to existing measures is discussed in detail in Chapter III.

Large line items like Medicaid Services, which have subsidiary programs, are underrepresented by base budget bill measures. Figure 2.1 presents this finding by separating DOH’s operating line items into two categories—those with subsidiary programs and those without—to indicate the line items’ size and complexity.

Large line items like Medicaid Services, which have subsidiary programs, are underrepresented by base budget bill measures, as shown in Figure 2.1.

Figure 2.1 DOH Line Items with Subsidiary Programs Have Relatively Few Legislative Measures. This figure shows 2020 appropriations for each line item and the number of performance measures required in the base budget bill. The appropriations per measure are shown in the right column.

Line Item	2020 Appropriation	Base Budget Measures	Appropriation Per Measure
WITH Subsidiary Programs:			
Medicaid Services	\$ 3,310,305,900	3	\$ 1,103,435,300
Medicaid and Health Financing	\$ 144,322,500	3	\$ 48,107,500
Family Health and Preparedness	\$ 117,125,300	3	\$ 39,041,767
Disease Control and Prevention	\$ 84,324,400	4	\$ 21,081,100
Executive Director's Operations	\$ 38,094,600	4	\$ 9,523,650
NO Subsidiary Programs:			
Children's Health Insurance Program (CHIP)	\$ 139,261,300	3	\$ 46,420,433
Vaccine Commodities	\$ 26,191,600	3	\$ 8,730,533
Local Health Departments	\$ 2,137,500	6	\$ 356,250
Rural Physicians Loan Repayment Assistance	\$ 248,200	4	\$ 62,050
Primary Care Workforce Financial Assistance	\$ 231,200	4	\$ 57,800
DOH Operating and Capital Budget	\$ 3,862,242,500	37	\$ 104,384,932

Source: The Office of the Legislative Fiscal Analyst's COBI website for fiscal year 2021–22.

All the line items in Figure 2.1 have at least three measures; however, the amount of funding that each represents, from a coverage standpoint, varies greatly. The most variability is seen within Medicaid Services, where each of its three measures represents about \$1.1 billion. By contrast, the Children’s Health Insurance Program (CHIP), which has no subsidiary programs, represents a much higher density of performance measures, as each measure represents about

\$46 million. By way of comparison, the following six Medicaid Services programs are each larger than CHIP:

- Accountable Care Organizations (\$988M)
- Medicaid Expansion (\$513M)
- Home and Community-Based Waivers (\$409M)
- Nursing Home (\$343M)
- Mental Health and Substance Abuse (\$218M)
- Inpatient Hospital (\$204M)

While each of these programs exceeds the \$139M appropriated to CHIP, none of them have performance measures that are specific to their operations and reported to the Legislature. The only clear program-specific performance measure for Medicaid Services is the preferred drug cost savings for the Pharmacy program, listed earlier in this chapter. The Pharmacy program is DOH's seventh-largest program at \$124M. Tracking pharmacy cost savings is important and has been recommended by our office in the past. Within this context, the programs listed above, which are larger than the Pharmacy program, need measures to provide more thorough budget management.

The lack of adequate measures extends to supplemental measures reported on LFA's COBI website. Only one supplemental measure was reported for the Medicaid Services line item or its subsidiary programs. The measure reported "New Choices Waiver clients coming out of nursing homes into community-based care." Adding this fourth measure still results in a limited amount of representation for social services' largest line item.

A separate audit by our office, *A Performance Audit of the Culture and Grant Management Process of the Department of Health*, released concurrently with this report, found that DOH has not adequately collaborated with the Legislature on key policy decisions. Therefore, opportunities exist for the Legislature to drive DOH improvements through targeted and carefully crafted performance measures.

Consolidating Multiple DWS Divisions into One Line Item Limits Oversight via Measures

Like DOH's Medicaid Services line item, DWS's Operations and Policy line item has subsidiary programs without required base budget bill measures. These omissions are notable, as some programs are

Opportunities exist for the Legislature to drive DOH improvements through targeted and carefully crafted performance measures.

listed as divisions on DWS’s website. According to the website, the department has nine divisions. Figure 2.2 shows how each is represented within the Legislature’s budget structure.

Figure 2.2 Five of DWS’s Divisions Are Combined into a Single “Operations and Policy” Line Item. This figure shows which DWS divisions are within Operations and Policy and those that are a separate line item. Three divisions within Operations and Policy have no required performance measures in the Legislature’s base budget bill for social services.

Line Item	2020 Appropriation	Base Budget Measures	Appropriation Per Measure
Divisions within "Operations & Policy"			
Workforce Development	\$ 86,016,300	1	\$ 86,016,300
Child Care Assistance	\$ 69,594,700	0	
Eligibility Services	\$ 67,642,500	1	\$ 67,642,500
Refugee Assistance	\$ 4,736,400	0	
Workforce Research & Analysis	\$ 2,543,700	0	
Other Operations & Policy Programs *	\$ 88,453,300	2	\$ 44,226,650
Divisions as Separate Line Items			
Unemployment Insurance	\$ 120,215,200	3	\$ 40,071,733
Housing & Community Development	\$ 74,728,000	3	\$ 24,909,333
State Office of Rehabilitation	\$ 60,663,200	3	\$ 20,221,067
Utah Office of Homeless Services **	\$ -	0	
Other DWS Line Items ***	\$ 310,267,900	10	\$ 31,026,790
DWS Operating and Capital Budget	\$ 884,861,200	23	\$ 38,472,226

Source: HB 7 (2020 General Session) and the Office of the Legislative Fiscal Analyst’s COBI website for fiscal year 2021–22.

* “Other Operations & Policy Programs” includes the following line items: Facilities and Pass Through, Information Technology, Temporary Assistance for Needy Families (TANF), Workforce Investment Act Assistance, and others appropriated less than \$2 million.

** The Utah Office of Homeless Services was created in the 2021 General Session and received its first appropriations for fiscal year 2022.

*** “Other DWS Line Items” includes the Supplemental Nutrition Assistance Program (SNAP), Community Development Capital Budget, Administration, General Assistance, Special Service Districts, and Operation Rio Grande.

Three DWS divisions in the “Operations and Policy” line item have no base budget measures, limiting legislative direction on performance improvement.

Figure 2.2 depicts a tiered approach to legislative-driven oversight. No legislative direction on performance improvement exists for the three DWS divisions in the “Operations and Policy” line item with no measures. The two Operations and Policy divisions, each with one measure, receive some legislative oversight and guidance. The most oversight is provided for the three divisions that are listed as separate line items, each of which has three performance measures. This creates a potentially imbalanced situation, as many divisions receive a similar range of appropriations (\$60 million to \$86 million) but have zero to three required measures.

Like DOH's Medicaid Services line item, the DWS divisions in the Operations and Policy line item without base budget bill measures also had no supplemental measures reported on LFA's COBI website. The Child Care Assistance division has one measure listed, but the measure tracks eligibility determinations performed by the Eligibility Services division. Child Care Assistance represents five distinct services, but none of them are represented by measures required in base budget bills or reported on the COBI website.

As the largest DWS line item at \$319 million for fiscal year 2020, Operations and Policy shares a common characteristic with DOH's Medicaid Services line item. Both have major programs that lack performance measures that could drive accountability and fiscal decision-making from the Legislature. These findings suggest that the distribution method for base budget bill measures should be balanced with a funding-based approach.

DHS Measures Emphasize Subsidiary Programs That Receive the Most Funding

Consistently allocating performance measures to large funding items was evident for DHS. Like DOH and DWS, one line item in DHS is much bigger than the others. The Division of Services for People with Disabilities (DSPD) was appropriated \$405 million in fiscal year 2020 for its operations, accounting for 45 percent of the department's operating budget. The Division of Substance Abuse and Mental Health is the next largest, at \$201 million.

Unlike DWS and DOH, DHS's performance measures have mostly focused on the largest subsidiary programs within each line item. DHS's largest division—DSPD—has a major program that constitutes 83 percent (\$334 million) of its appropriation. This Community Supports Waiver program is responsible for two of the three base budget bill measures required in 2020. The third appears to be a division-wide measure assessing the percentage of clients who report that their supports and services help them live a better life. A new measure was added with the 2021 General Session and will focus on the second-largest program in DSPD—the Utah State Developmental Center.

Throughout DHS divisions, base budget bill measures are focused on the largest subsidiary programs. This practice seems like a solution to help create greater balance between uniformly distributing measures

Consistently allocating performance measures to large funding items was evident for DHS.

among line items and an approach focusing on funding levels. Importantly, it addresses the gaps in legislative-driven oversight discussed at DOH and DWS. The following section provides a more extensive analysis of the allocation of performance measures and funding appropriations.

Greater Balance Is Needed When Allocating Measures among Budget Line Items and Programs

One of the challenges in managing performance measures is allocating them appropriately. The Governmental Accounting Standards Board (GASB) provided the following guidance related to performance measures that support financial reporting:

[Performance information] should be provided at the most appropriate level of aggregation or disaggregation. A balance should be achieved among the number of services reported, the [performance measures] reported, and the capability of users to understand and act on the information.⁶ (emphasis added)

Requiring measures at the appropriate level of aggregation or disaggregation is a difficult task when the following important characteristics vary from program to program:

- Federal funding, requirements, and reporting
- Total appropriations
- Reliance on state employees versus contractor services

Each of these items affects the amount of available information needed to develop measures. These characteristics also influence the degree of legislative latitude to set policy regarding agency operations. Greater flexibility is needed when allocating measures to agency subunits. Thus, considering factors such as funding levels, services offered, and interagency processes can enhance the current approach to allocate measures according to budget structure.

GASB advises allocating measures “at the most appropriate level of aggregation or disaggregation,” suggesting the need for more measures for larger line items and programs is needed.

⁶ Concepts Statement 2: Service Efforts and Accomplishments Reporting.

Recognizing the need for greater representation of larger line items and programs by legislative performance measures, we recommend that a more balanced allocation method be considered. To illustrate what an allocation model might look like, Figure 2.3 redistributes DOH's 37 operating budget measures by incorporating two allocation methods. The center section (in orange) balances uniform allocations among line items and accounts for funding differences. Within this section, the first column allocates one initial measure to each line item. The second column allocates the remaining 27 measures based on the size of subsidiary programs and those line items with no programs.

Figure 2.3 shows a reallocation of performance measures that prioritizes the 27 largest subsidiary programs or line items that lack programs.

Figure 2.3 A Hypothetical Example of How Measures Could Be Better Allocated by Considering Appropriation Amounts. This model focuses on allocating additional performance measures to the 27 largest subsidiary programs or line items that lack programs. Other methods to allocate measures might be considered that focus on services offered, interagency processes, etc.

Line Item	2020 Appropriation	Initial Measure Per Line Item	Additional Measure Based on Funding *	Reallocated Measure Count	Initial Measure Count
WITH Subsidiary Programs:					
Medicaid Services	\$ 3,310,305,900	1	17	18	3
Medicaid and Health Financing	\$ 144,322,500	1	3	4	3
Family Health and Preparedness	\$ 117,125,300	1	2	3	3
Disease Control and Prevention	\$ 84,324,400	1	2	3	4
Executive Director's Operations	\$ 38,094,600	1	1	2	4
NO Subsidiary Programs:					
Children's Health Insurance Program (CHIP)	\$ 139,261,300	1	1	2	3
Vaccine Commodities	\$ 26,191,600	1	1	2	3
Local Health Departments	\$ 2,137,500	1	0	1	6
Rural Physicians Loan Repayment Assistance	\$ 248,200	1	0	1	4
Primary Care Workforce Financial Assistance	\$ 231,200	1	0	1	4
DOH Operating and Capital Budget	\$ 3,862,242,500	10	27	37	37

Source: Auditor calculations based on the Office of the Legislative Fiscal Analyst's COBI website for fiscal year 2021–22.

* Based on actual appropriations for 2020, all line items and subsidiary programs with more than \$19 million in appropriations were allocated an additional performance measure. This is the basis for allocating one additional measure to "Vaccine Commodities" and no additional measure to "Local Health Departments."

Each subsidiary program or line item without programs that had \$19 million or more in appropriations received an additional measure. For Medicaid Services, 17 of its 19 programs exceeded this threshold, so the line item was allocated 17 funding-based measures, plus the one initial measure, for a total of 18 measures. Given that the Medicaid Services line item currently receives 86 percent of appropriations. The balanced model in Figure 2.3 allocates only 49 percent of measures to this line item, which is nearly half of a pure budget-based approach.

Additionally, this would be more than the eight percent that it currently receives. Thus, this model proposes greater balance where each line item receives at least one performance measure.

As LFA and GOPB consult with social services agencies about which performance measures to include in base budget bills per *Utah Code* 63J-1-903(2)(a), we recommend a distribution of measures that balances uniform and funding-based allocations and considers other factors. Within DOH, there is likely a need for additional supporting measures beyond the 37 base budget bill measures. Therefore, the following section describes the role of the COBI website with regard to supplemental measures.

Additional Measures Not Required in Base Budget Bills Can Help Assess Agency Performance

LFA's COBI website for fiscal year 2021-22 has an extensive collection of results for 180 performance measures, consisting of those from base budget bills and other supplemental measures. As part of the audit process, our research of performance trends in COBI highlighted two best practices that improve usefulness: (1) reporting multiyear trends, and (2) differentiating between base budget bill measures and other supplemental measures. A single base budget bill measure is often not sufficient to convince decision-makers what action is warranted, so supplemental measures are often needed. Given that LFA and GOPB were charged in House Bill 326, passed during the 2021 General Session, to develop an information system to publish agency performance measures per *Utah Code* 63J-1-903(1), these desirable features should be emulated as best practices to empower legislative decision making.

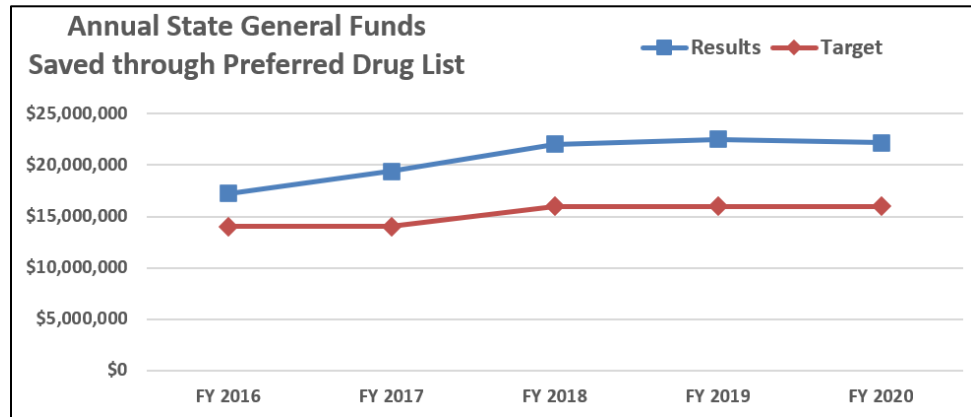
Base Budget Bill Measures Reported on COBI Show Valuable Multiyear Trends

The standard reporting practice for base budget bills during October interim meetings is to include two years of results and targets, whereas more than half of COBI measures report seven or more years of results. Limiting data in this way focuses users' attention on current performance, rather than how historical performance has changed over time. We believe the distinction between point-in-time data and multiyear trends is critical for users, like legislators, who can use this data for decision-making.

Performance measures reported as multiyear trends provided critical insights for the audit process and are essential for legislative decision-making.

Using Medicaid Services' Pharmacy program as an example, cost savings reported on the COBI website from using preferred drugs produced an annual savings of \$22.5 and \$22.2 million in fiscal year 2019 and 2020 respectively. Both years exceeded the \$16 million target, suggesting a job well done. However, multiyear trends reported in COBI that are shown in Figure 2.4 lead to a different conclusion: The Pharmacy program needs a stretch goal.

Figure 2.4 Reporting Multiple Years of Results and Targets Can Identify When Stretch Goals Are Missing. This figure shows historical general fund savings for Medicaid pharmacy costs when preferred drugs are used. Since fiscal year 2016, the results (blue line) have consistently exceeded targets (red line). The lone target adjustment for fiscal year 2018 was still below prior years' results.



Source: The Office of the Legislative Fiscal Analyst's COBI website for fiscal year 2021–22.

As shown in Figure 2.4, multiyear trends reveal a persistent problem of the Pharmacy program in not setting stretch goals. Actual results always exceed targets, including the one time that the target was adjusted. The figure's lowest actual savings was \$17.2 million for fiscal year 2016. This amount was already more than the elevated target set two years later for fiscal year 2018 at \$16 million. This target seemed to have no value, as it was set lower than the prior years' results and has been surpassed every year thereafter by at least a \$6 million margin. While setting meaningful targets is discussed in Chapter IV, the conclusion about lacking stretch goals was made apparent with multiyear reporting in COBI. Therefore, we recommend that as future performance measure reporting systems are decided per *Utah Code* 63J-1-903(1), charting historical trends, rather than two years of data, is preferred to empower users.

We recommend that as future performance measure reporting systems are decided per *Utah Code* 63J-1-903(1), charting historical trends, rather than two years of data, is preferred to empower users.

The Roles and Expectations for Various Legislative Measures Should Be Clarified

One of the challenges legislative performance measures present is a congested field of measures in base budget bills and COBI. Users need to be able to easily sift through these measures and identify the core measures that are critical to Legislature-driven improvements in social services. While Chapter I noted that effective performance measures should be tied to specific improvement goals, additional supplemental measures provide valuable context to stakeholders, so they can more fully understand how goals are being achieved. Therefore, we recommend that social services agencies, LFA, and GOPB clarify the roles and expectations for base budget bill measures and supplemental measures in COBI.

Effective management of legislative measures necessitates setting roles and expectations for core measures and those that supplement them. Base budget bill measures fill the role of core measures, as they represent legislative-driven improvements required via intent language. Specific criteria to refine these measures are recommended in chapters III and IV, as some measures exhibit undesirable trends that were highlighted in Chapter I. Processes to refine these measures and report on results are prescribed in *Utah Code* 63J-1-903(1) and (2), which were established by the 2021 General Session's House Bill 326.

Other supplemental measures that are agency driven or provide necessary contextual information for base budget bill measures lack a clear definition of their role and processes. Requiring additional performance measures beyond a single core measure is consistent with the following GASB guidance:

*A broad variety of [performance measures] may therefore be required to meet the diverse needs of the different users; report on the many goals and objectives of different agencies, departments, programs, and services; and address the issues being considered for different decisions and levels of accountability.*⁷ (emphasis added)

This need for multiple measures is demonstrated in COBI as 58 percent of measures (105 of 180) are supplemental and are not core

⁷ Concepts Statement 2: Service Efforts and Accomplishments Reporting.

We recommend that the roles and expectations for base budget bill measures and supplemental measures in COBI be clarified.

Performance measures beyond a single core measure can provide necessary contextual information for base budget bill measures.

measures in base budget bills required by legislative intent language. Line items like DWS's Unemployment Insurance division use supplemental measures to report additional important information not included in base budget bill measures. Such measures include valuable data points regarding background information (historical reserve factors and social cost calculations), efficiency measures (cost per eligibility determination), and outcomes (reemployment rate for all claimants). Each of these provides valuable context for understanding the six base budget bill measures required by the Legislature.

Supplemental measures currently reside on the COBI website and are generated through various means. LFA, GOPB, and the three social services departments are required to collaborate on base budget bill measures per *Utah Code* 63J-1-903(2)(a). Similar collaboration is needed to develop a plan for developing and reporting supplemental measures. Doing so would encourage agencies to provide valuable contextual data points for the Legislature to consider as COBI supplemental measures.

In conclusion, this chapter seeks to ensure that valuable insights from legislative measures are not limited by the three information gaps discussed. The first gap involved large programs not covered by measures because of the current allocation process. The second gap exists as October interim reports are limited to two years of data rather than the performance trends communicated through COBI's multi-year trends. The third gap is a lack of clear roles and expectations for base budget bill measures and COBI's supplemental measures. The following recommendations ensure that these gaps are addressed, and essential information is communicated to legislative decision makers.

Recommendations

1. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget address the oversight gaps that exist for large programs by considering funding levels and other methods to allocate measures per *Utah Code* 63J-1-903(2).
2. We recommend the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget ensure that the information system selected in *Utah Code* 63J-1-903(1) report multiyear trends for base budget bill measures.

This chapter seeks to ensure that valuable insights are not limited by information gaps from 1) large programs not covered by measures, 2) the lack of multi-year trends, and 3) a lack of clear roles and expectations for legislative measures.

3. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget clarify the roles and expectations for additional supplemental measures that support the Legislature's core measures identified via the process in *Utah Code* 63J-1-903(2).



Chapter III

To Facilitate Legislative Decision-Making, Measures Need Links to Fiscal Impact

The operating budget overseen by the Social Services Appropriations Subcommittee is frequently the largest in the state. Effectively overseeing this budget requires performance measures that describe fiscal impacts rather than just reporting agency activity levels. For example, reporting moderate growth in outputs may seem good. However, an enhanced measure that reports those outputs relative to faster-growing costs and declining efficiency is more insightful and provides policy-makers with better data to make informed decisions.

Legislators can use such insights to promote accountability and make various decisions as necessary. Examples of other types of legislative measures that could be enhanced to demonstrate fiscal impacts are also presented in this chapter. Enhancing current measures by linking to fiscal impacts often requires supplemental measures. As current base budget bill measures are reviewed per the new process in House Bill 326, passed during the 2021 General Session, we recommend that less-important measure be replaced with supplemental measures to demonstrate fiscal impacts.

The Increasing Costs of Social Services Necessitate Measures That Reflect Fiscal Impact

The budget overseen by the Social Services Appropriations Subcommittee is frequently the largest in the state. For fiscal year 2020, this subcommittee oversaw an operating and capital budget of \$5.6 billion, which was similar in size to that of public education (\$5.5 billion). The \$5.6 billion figure was the result of 32.6 percent growth (5.8 percent annually) since fiscal year 2015. With a growth rate that exceeds inflation, it is essential to have performance measures that provide assurance that services are efficient and effective.

The growth in the operating budget of Utah's social services agencies was not isolated to a single line item. Accounting for more than half of social services costs, the Medicaid Services line item grew by 42.5 percent from fiscal year 2015 to fiscal year 2020 (7.3 percent annually). Collectively, all other social services line items grew by

Appropriations committees need performance measures that describe fiscal impacts rather than just reporting agency activity levels.

In a landscape where budgetary growth exceeds inflation, there is an increasing need for performance measures that provide assurance that services are efficient and effective.

Having access to performance measures expressed in terms of fiscal impact will help the Legislature know where the social services budget needs to be more effectively managed.

This chapter gives three examples of linking agency activities to fiscal impacts via other insightful statistics and measures.

20.6 percent over the same period (3.8 percent annually). The growth in social services costs, therefore, is not a Medicaid-specific occurrence.

Effective budget oversight requires insightful performance measures that focus legislative priorities where current fiscal impacts suggest that meaningful improvement is possible. As the next section will detail, required measures focus on the condition of agency activities, such as outputs, timeliness, accuracy, and outcomes. When results fail to meet desired targets, the materiality of such could be expressed in terms of fiscal impact—decreased efficiency, costlier outcomes, low service utilization, and error costs. Improvement goals and measures that limit these adverse fiscal impacts will help the Legislature know where the social services budget needs to be more effectively managed.

Describing the Fiscal Impact of Agency Activities Requires Linking to Other Statistics and Measures

Enhancing activity measures to report on fiscal impacts can be linked in various ways to other statistics and measures. For example, output measures can be supplemented with cost data from the Compendium of Budget Information (COBI) to report on efficiency. Multiple COBI measures can be used to correlate potential risks to deteriorating performance. Additionally, the costs associated with errors can be calculated to articulate the value of improving accuracy. These potential enhancements represent a small portion of the opportunities that exist to improve current legislative measures.

Understanding fiscal impact is important as it describes relationships, like efficiency, that exist between social services agencies' efforts and their accomplishments. Social services departments have suggested that other non-fiscal impacts are equally important. As appropriations subcommittees are the target audience for the measures reviewed during this audit, measures demonstrating fiscal impacts to operations were emphasized. Other non-fiscal impacts are also recognized as possible valuable measures.

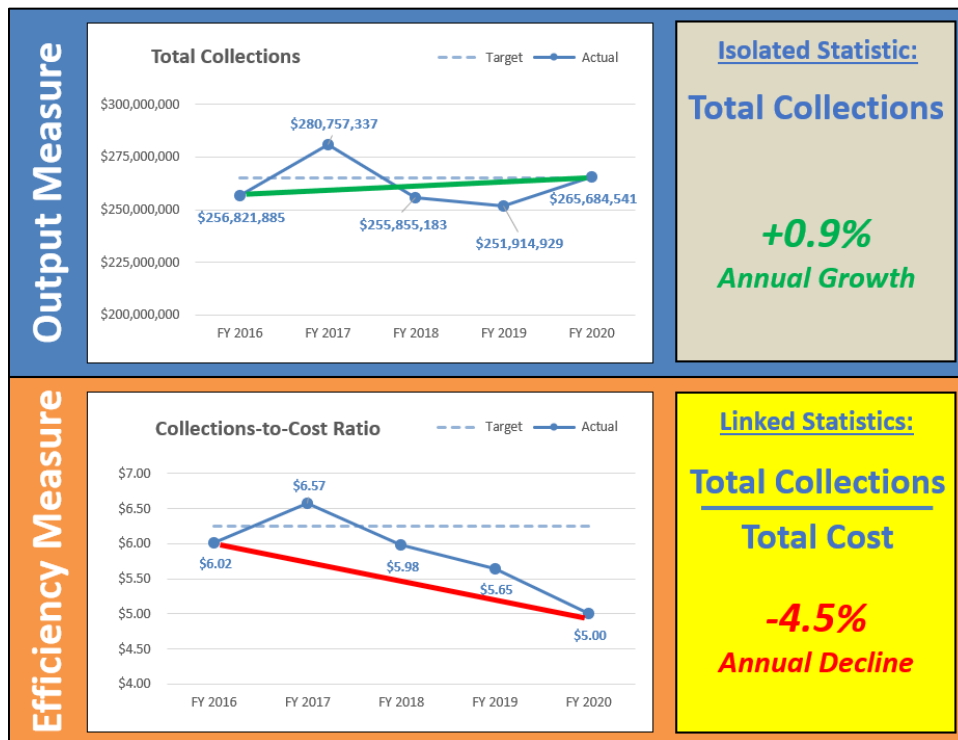
Linking Output Growth to Costs Created an Insightful Performance Measure

One of the measures required in the social services base budget bill that clearly demonstrates fiscal impact is a collections-to-cost ratio.

This measure reflects the efficiency of operations for the Department of Human Services' (DHS) Office of Recovery Services (ORS). This type of measure is uncommon among required measures, but it clearly describes the fiscal impacts of inputs required to generate outputs or outcomes.

In a separate measure reported to the Legislature, ORS's total collections are reported in isolation, with no cost data. This less effective version that focuses solely on output with no consideration of associated inputs, which is the more common approach among base budget bill measures, provides potentially misleading conclusions about the slight growth reported. To help contrast the two approaches and demonstrate the value of linking to fiscal impacts through costs, Figure 3.1 shows the isolated output measure in blue and the improved efficiency measure in orange.

Figure 3.1 Decreases in Efficiency Are Evident When Low Collection Growth Is Reported Relative to Costs. Since fiscal year 2016, ORS collections, as an isolated output measure (top blue portion) showed low growth. However, linking collections to costs as an efficiency measure (bottom orange portion) shows fiscal impact, with costs growing faster than collections and efficiency declining.



Source: The Office of the Legislative Fiscal Analyst's COBI website for fiscal year 2021-22.

Merely reporting ORS collections is a less effective statistic than comparing total collections to total costs as an efficiency measure.

Figure 3.1 shows the value of linking measures to understand fiscal impacts like efficiency. Total collections, as an isolated statistic (top blue portion), shows low positive growth for the past four years. However, the chart gives no indication about the significance of this level of growth. A fuller picture is provided in the bottom chart (orange portion), where total collections are compared against total costs as an efficiency measure. Combining these data points shows that instead of low growth, efficiency declined by 4.5 percent annually, as ORS costs grew faster than collections.

ORS comments to fiscal year 2020 results demonstrate the real value of this measure. Those comments stated that “ORS requested lowering the target for fiscal year 2020 only during the 2020 [General Session] due to a technology modernization project.” In addition to technology costs, personnel services also experienced greater growth than collections, increasing by 10.1 percent over the four subsequent years (2.4 percent annually). As personnel costs represent over half of ORS’s expenditures, such growth still would have led to decreases in efficiency over the five-year period.

This type of measure that clearly demonstrates fiscal impact—declining efficiency—is not common among current legislative measures. The following examples show more common measures, which report on an element of agency activities without expressing the fiscal impact associated with that level of performance. Therefore, in the following examples, linking to other COBI measures, federal measures, or agency data was explored as a way to demonstrate how fiscal impacts could be articulated to a target audience. Describing fiscal impacts can inform decision-makers of the magnitude of the issue and whether associated decisions and subsequent actions are needed.

Supplemental COBI Measures Indicate Risks of Delaying Program Outcomes

Conveying fiscal impact is more difficult for some measures than it is for others. Rather than enhancing an existing measure by converting a statistic to a ratio, referencing multiple COBI measures to describe a fiscal impact creates opportunities for a more nuanced interpretation. One example of this relates to Out of Home Care, which is provided by the Division of Child and Family Services (DCFS) and refers to children being taken from their home and placed in state custody.

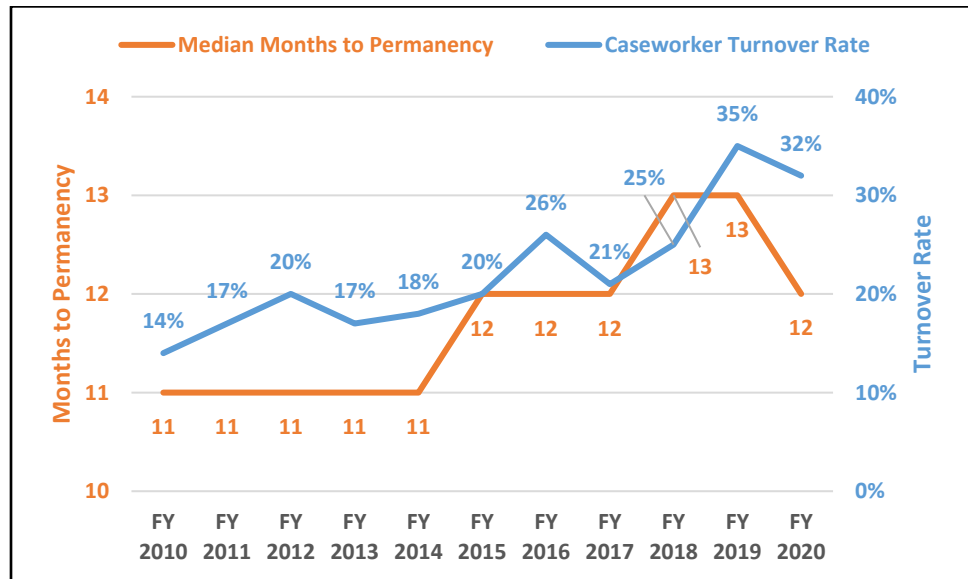
One measure required by the Legislature includes the median number of months until cases are closed to permanency. The timeliness of outcomes associated with this measure have increased from 11 months on average before FY 2015 to an elevated level of 13 months for FY 2018 and 2019. This is an undesirable situation as it represents more time children spend receiving out-of-home services, which has a cost that DCFS could report through a linked measure.

DCFS management raised concerns about increased caseworker turnover, which correlates with the increases in time required for permanency. Figure 3.2 shows both of these trends since fiscal year 2010.

Conveying the fiscal impact of some measures is more difficult when referencing multiple measures to describe a fiscal impact rather than enhancing other measures by converting a statistic to a ratio.

Figure 3.2 Combining COBI Charts Shows Correlation between Timely Resolution and Caseworker Turnover—A Potential Risk Factor. DCFS is required to report the average number of months it takes for children in state custody to be adopted, reunited with their family, or placed with a guardian (orange line). Increases in the number of months to permanency correspond with the increased caseworker turnover rate (blue line), representing a risk associated with achieving divisional goals and operations.

In foster care, coupling placement delays and elevated employee turnover with costs from lengthier foster care stays could provide fiscal impact that would inform legislators whether additional research is necessary or specific decisions and actions need to be taken.



Source: The Office of the Legislative Fiscal Analyst's COBI website for fiscal year 2021-22.

As DCFS management views its caseworkers as the essential resource that drives positive outcomes—i.e., permanency for foster care cases—increases in turnover rate represents increased risk, as shown in Figure 3.2.

When turnover rates were in the high teens, the median number of months to permanency was 11. As rates have increased, reaching a high of 35 percent in fiscal year 2019, the median months to permanency also increased to 13. These trends raise concerns of increasing cost pressure of providing foster care services. Coupling placement delays and elevated employee turnover with costs from lengthier foster care stays could present decision-makers with a clearer picture of fiscal impact. Such fiscal impact would inform legislators as to whether additional research is necessary or whether specific decisions and actions need to be taken.

Accuracy Measures for Eligibility Determination Do Not Quantify How Much Errors Cost

While errors are inherently problematic, some are more costly than others. Understanding the materiality of fiscal impacts resulting from errors warrants consideration by decision-makers. The Department of Workforce Services (DWS) makes eligibility determinations for multiple benefit programs. The accuracy of eligibility determinations is a common measure reported to the Legislature, as manifested by these measures reported on COBI:

- Eligibility Services – Internal Review Compliance
- Medicaid – Eligibility Determination Error Rate
- Supplemental Nutrition Assistance Program (SNAP) – Payment Accuracy
- General Assistance – Internal Review Compliance
- Unemployment Insurance – Separation Determinations

The accuracy rates reported on COBI for these programs was 94 percent and above for the most recent year reported, and historical accuracy rates have been similarly high. Therefore, a pertinent question is how much do existing errors cost, which is the fiscal impact often missing from measures.

One means of capturing the fiscal impact of accuracy rates for eligibility determinations is through overpayments. When benefits are conferred in error to clients who were not eligible, an overpayment exists, which is calculated and collected. Linking accuracy rates to corresponding overpayments may be one way to articulate the materiality of agency performance levels. Weighing the opportunity for cost savings by improving accuracy rates should be balanced against other options that the Legislature could consider for required improvement goals and corresponding measures.

Performance Measure Review Processes Should Seize Opportunities to Integrate Fiscal Impacts

The measures presented in this chapter demonstrate the different types of measures reported to the Legislature. Each likely represents a legislative interest that initially led to required reporting on agency activities. However, to be relevant for an appropriations

Weighing the cost-saving opportunities by improving accuracy should be balanced against other options that the Legislature could consider for required improvement goals and measures.

subcommittee’s management of agency budgets, a measure’s fiscal impacts regarding efficiency and effectiveness need to be understood.

The Governmental Accounting Standards Board (GASB) has recognized the need for reporting performance measures as a supplement to financial reporting activities. Thus, the Legislature’s practice of requiring performance measures as part of its budget-setting process is wise. Specific GASB guidance on how to best assist users who will make decisions based on these performance measures suggests a multiple-measure approach:

Because the purpose of governmental entities is to establish and enforce laws, regulate activities, and provide services economically, effectively, and efficiently—not to earn profits—*no single measure of performance is readily available to assist users* in assessing accountability and in making economic, political, and social decisions. (emphasis added)

The use of multiple measures was applied to the four examples earlier in this chapter to document the fiscal impacts of currently reported activities.

A new performance management process that was introduced in House Bill 326, which was passed during the 2021 General Session, was established to review measures and identify processes for efficiency improvements. *Utah Code* 63J-1-904(2)(c) specifies that the entity under review should have measures reviewed to retain, modify, or discontinue. Therefore, as performance measures reflect undesirable trends that suggest no additional improvement is possible, they should be replaced with supplemental measures like those discussed in this chapter to articulate the fiscal impacts of performance measures.

Additionally, the consideration of fiscal impacts should be one of the criteria House Bill 326 stipulated in *Utah Code* 63J-1-904(2) that LFA and GOBP will use to evaluate possible measure for efficiency improvements. We believe that considering the potential fiscal impacts from efficiency improvements will ensure that the Legislature has measures representing the greatest potential to manage the increasing growth of the Social Services budget.

As performance measures reflect undesirable trends that suggest no additional improvement is possible, they should be replaced with supplemental measures that describe the fiscal impacts of activity measures.

Recommendations

1. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget consider supplementing activity measures with those quantifying the fiscal impacts and other impacts of agency efforts on their accomplishments.
2. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget consider potential fiscal impacts as one of the criteria in *Utah Code* 63J-1-904(2)(e) that will be used to assess which performance measures will be retained, modified, or discontinued.



Chapter IV

Descriptions of Targets, Action Plans and Other Factors Clarify Legislative Goals

As mentioned throughout this audit report, quality performance measures generate improvements that accomplish goals and objectives. When legislative measures report no improvement, the significance of these undesirable results is unclear when expectations are not understood. For example, missing a performance target could be significant if the target represents a statutory requirement. However, missing a target could be insignificant if the target represents only an arbitrary improvement on previous performance. Therefore, it is essential that stakeholders have a basic understanding of the following elements of a performance measure:

- The significance of performance targets
- Agency action plans to achieve goals
- Factors beyond the agency that affect results

Communicating these details provides contextual information that helps stakeholders better assess the value of performance measures and take appropriate action. Going forward, the three bullet points listed above should be incorporated into performance measure reporting. Such information and insight will be valuable to the collaborative performance measure review process outlined in House Bill 326 from the 2021 General Session.

Meaningful Targets Help Stakeholders Hold Agencies Accountable for Results

Understanding a measure includes comprehending the significance of targets. Meaningful targets are not arbitrary but represent something significant, such as compliance with a requirement or a desirable benchmark.⁸ As shown in the following examples, the challenge with many measures is that the rationale for the target is not

⁸ The Governmental Accounting Standards Board (GASB) states that comparative information may take various forms. Targets may be established based (1) on performance from several earlier fiscal years, (2) as part of the budgetary

Three elements provide a basic understanding of performance measures: (1) the significance of performance targets, (2) agency action plans to achieve goals, and (3) factors beyond the agency that affect results.

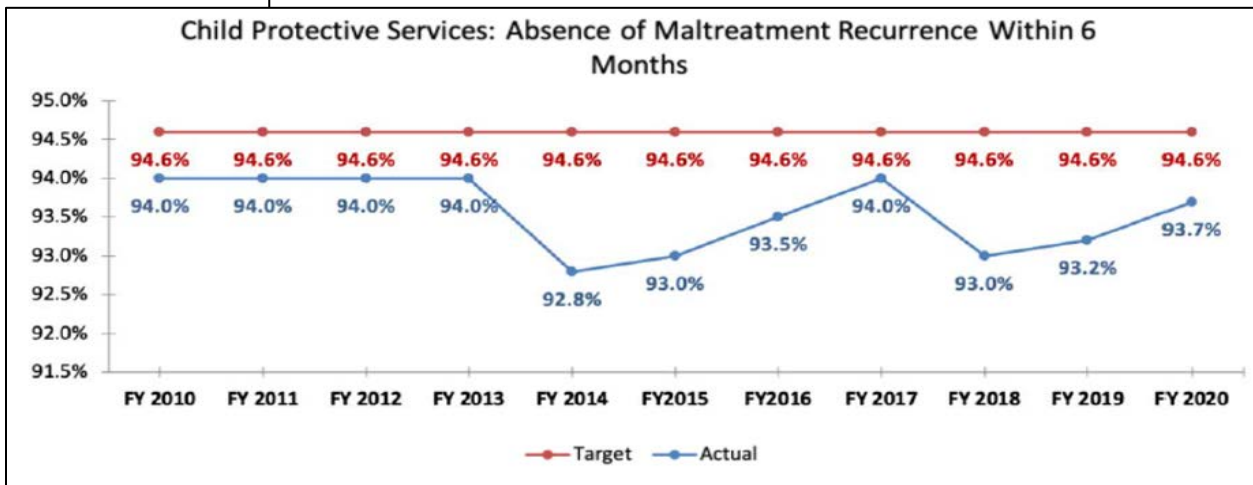
We recommend that the basis for targets associated with legislative measures be included with reported results.

communicated, leaving stakeholders with an unclear understanding of a measure’s significance. We therefore recommend that the basis for targets associated with legislative measures be included with reported results.

Increasing an Improvement Target by 1 Percent May Not Seem Significant—Unless It Is a Federally-Required Standard

Each year, the base budget bill for social services specifies performance measures and a target for each. The Division of Child and Family Services (DCFS) is required to report outcomes related to its child protective services (CPS). More specifically, the division’s effectiveness is assessed in terms of keeping children safe, which is represented through the absence of recurring maltreatment within six months after case closure. This measure specifies a target of 94.6 percent, which is less than one percentage point higher than DCFS’s performance over the past decade as Figure 4.1 shows.

Figure 4.1 DCFS’s Maltreatment Measure Lacks Context to Understand Whether Minor Historic Fluctuations Are Meaningful. The rate of recurring maltreatment has remained consistent since fiscal year 2010. For fiscal year 2020, 93.7 percent of CPS cases did not experience maltreatment six months after closure. While the significance of improving by one percentage point is not reported in this measure, complying with a national standard is important.



Source: The Office of the Legislative Fiscal Analyst’s COBI website for fiscal year 2021-22.

process, (3) externally established norms or standards of performance, (4) other parts or subunits of the same entity, or (5) other comparable entities.

As Figure 4.1 shows, the rate of children avoiding a subsequent instance of maltreatment within six months of CPS intervention has mostly hovered between 93 and 94 percent for 11 years. Although a slightly higher goal exists, the division has not been able to improve beyond the target. Without historical knowledge on this topic, the significance of the 94.6 percent target—which represents an improvement of about one percentage point and has remained elusive for a decade—is unclear.

A DCFS administrator clarified that this target was the national performance standard in place for fiscal year 2010 by the Children’s Bureau and is used for child and family service reviews. When asked about not achieving the target in more than a decade, the response was that this measure is “...an extremely complex measure, and we have found that it takes more than one targeted initiative to maintain.”

Understanding that the basis for the 94.6 percent target is a national standard, rather than an internal stretch goal, adds significance to the improvement target of merely one percentage point. Thus, the inability to achieve this target over the past decade may necessitate revising agency measures to assess the performance of the key initiatives that were intended to achieve improvement.

Stakeholders Should Understand the Value of Stretch Goals That Exceed Established Standards

Stretch goals are another type of target observed during this audit. For example, the Department of Workforce Services’ (DWS) has a timeliness target for eligibility determinations for the Supplemental Nutrition Assistance Program (SNAP). The current target for the program is 12 days which is a stretch goal that is significantly more ambitious than established standards. Results for fiscal year 2020 included the following agency comment: “Although we strive for 12 days, we are required to make a decision within 30 days.” This explanation provides valuable context for this target.

The Eligibility Services Division processes SNAP applications and is performing well in terms of timeliness, making decisions on average in 13 days. If the 12-day target for SNAP eligibility determinations were a requirement rather than a stretch goal, then the conclusion about service levels would be drastically different. Outperforming the 30-day standard by such a wide margin raises questions about the

If the 12-day target for eligibility decisions on SNAP benefits were a requirement rather than a stretch goal, the conclusion about service levels would be drastically different.

Rather than simply listing a target when results are reported, we recommend that the basis for those targets also be included.

We recommend that limited information about agency initiatives or action plans to achieve improvement targets be included when results for base budget bill measures are reported to ensure agencies are actively working on improvements.

significance of this measure given the many other measures being reported, as discussed in Chapters I and II.

Understanding the basis for established targets is important because targets carry different ramifications. It is one thing to exceed a requirement and fall short of an internal stretch goal. It is more important to identify situations where performance does not meet a national standard or requirement. Therefore, rather than simply listing a target when results are reported, we recommend that the basis for those targets also be included. Next, we discuss the need for agency action plans to accompany the selected performance measures.

Detailing Expected Agency Actions in Measures Helps Avoid Passively Achieving Goals

As discussed in Chapter I, a key objective of performance measures is to drive improvements. Thus, some measures appear irrelevant, as no opportunity for improvement exists, while others report high-level outcomes where an agency's contribution to the outcome is unclear. To ensure that performance measures are a catalyst for improvement, best practices suggest that information about how an agency plans to achieve performance targets should be provided. Therefore, we recommend that limited information about agency initiatives or action plans be included when results for base budget bill measures are reported to ensure agencies are actively working on improvements.

Measures That Indicated Performance Is Operating at Max Capacity Offer No Improvement Opportunities

One of the concerning trends raised in Chapter I is the occurrence of measures where 100 percent compliance was observed. These measures illustrate a fundamental problem: Regardless of agency actions, there is no improvement to be gained. One example of this is the Department of Health's (DOH) Local Health Department line item, which includes three measures pertaining to the 13 local health departments.

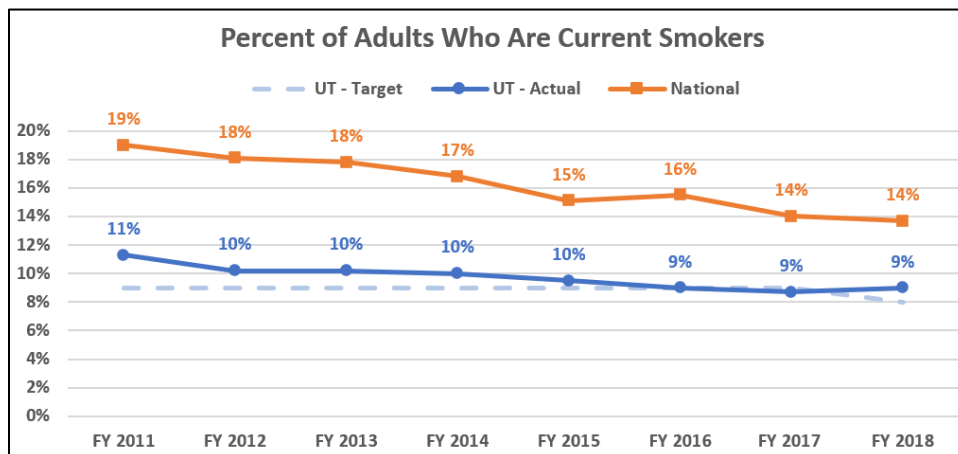
Since 2011, DOH has reported 100 percent compliance with local health departments having a board overseeing a local health officer, epidemiology and control services, and the environmental sanitation program. With a decade of perfect compliance, there are no agency actions that would be expected for improvement. A similar lack of

improvement opportunities also exists for internal reviews or audits of funds, which were frequently reported for DWS and DHS. The value of these measures is limited due to their history of perfect compliance.

Understanding an Agency’s Role in Impacting Population-Level Changes Is Often Unclear

DOH’s Disease Control and Prevention division is required to annually report on Utah’s adult smoker rate. Utah’s decline in adult smoker rates parallels the national trend as shown in Figure 4.2. National results were pulled from the American Lung Association’s website. Results were limited to fiscal years 2011 through 2018 due to data availability.

Figure 4.2 Because Utah’s Decline in Smoking National Trends, DOH’s Influence on Results Is Unclear. While Utah’s rates of adult smokers have been lower than national levels, both trends report a similar decline in adult smoking. Utah’s target, required in base budget bills, is shown as the dashed light-blue line.



Sources:
Utah Actuals and Targets—October performance measure reports to the Social Services Appropriations Subcommittee;
National—American Lung Association website
<https://www.lung.org/research/trends-in-lung-disease/tobacco-trends-brief/overall-tobacco-trends>.

While the outcomes in Figure 4.2 are undeniably good, a fundamental question exists about how much to attribute the results to specific division efforts versus other factors that contributed to the greater national trend. Nationally, the American Lung Association reported a decline from 19.0 percent to 13.7 percent from 2011 to 2018. DOH reported a similar drop, from 11.3 percent to 9.0 percent for the same period. In this situation, understanding the specific efforts the Division of Disease Control and Prevention was doing

Because DOH’s role in declining rates of adult smokers is unclear, the performance measure should describe how much impact on results to attribute to agency efforts versus other outside factors.

In a positive practice regarding agency efforts, DOH included specific strategies and activities as part of its internal improvement plans by the Early Hearing Detection and Intervention program.

would be insightful to stakeholders. For example, increased outputs or outcomes from those specific initiatives that contribute to the greater decline in smoking might be a better measure to consider.

A positive practice observed at DOH is the inclusion of specific strategies and activities as part of the department’s internal improvement plans. We observed several plans provided by the Bureau for Children with Special Healthcare Needs that articulate specific actions that were being taken.

For example, the Early Hearing Detection and Intervention (EHDI) program tracks the percentage of infants with confirmed hearing loss who enroll in early intervention services. With a national standard of 90 percent, and a 2016 baseline of 59 percent for Utah, ample room for improvement exists. Therefore, the program developed a two-part strategy to improve its performance toward the stated target.

Figure 4.3 EHDI’s Internal Improvement Plan Details Strategies and Activities for Improvement. Legislative measures could do better to inform users of expected agency actions that will be taken to improve performance. Such information included with measure results might be similar to the high-level strategies listed in this figure rather than the specific activities listed.

Strategy 1: Increase educational efforts to audiologists statewide on the referral process to Early Intervention (EI).

Activities:

1. Disseminate the new EHDI Diagnostic / EI Referral Process document to audiologists.
2. Evaluate the EI Parent Infant Program (PIP) enrollment requirements.

Strategy 2: Decrease the number of parents opting out of EI services.

Activities:

1. Train diagnosing audiologists on key PIP principles and why EI is important for families/children.
2. Work with PIP to obtain updated educational materials.
3. Provide updated PIP educational materials to audiologists.
4. Provide Parent to Parent support calls to families which have opted out of early intervention services and when a referral is made to EI.

Source: Early Hearing Detection and Intervention Program’s Continuous Quality Improvement Plan (2020).

Collectively, this information clarifies expectations that were set for the program.

Similarly, performance measures would benefit from including information about expected agency actions regarding those measures. This kind of information is suggested by GASB,⁹ as it helps stakeholders better understand measures and their intended results. Therefore, as LFA, GOPB, and state agencies review their measures, communicating primary initiatives or actions that will be taken would be valuable for stakeholders.

Discussing Other Factors Impacting Results Identifies Agency Disconnects with Measures

Similar to understanding agency actions that are intended to drive improvements, external influences on results should also be considered. In some instances, agency actions are not the primary driver of reported results. For example, other entities and the economy are external factors that ultimately drive the results of some measures, and acknowledging this would help facilitate better decision-making. Therefore, it is important to ensure that reports of performance measures allow opportunities for agencies to communicate their contributions and those of external factors.

Utah's Economy Drives the Reported Results for Many Social Services

One of the challenges with social services measures is the caveats associated with perceived improvements in performance. This can be illustrated by the number of job placements by DWS's Workforce Development Division (WDD), as shown in Figure 4.4.

It is important that performance measures include agency explanations of their contributions and impacts of other external factors.

⁹ GASB suggests that narrative information for performance measures can provide explanations about actions that have been (or are being) taken to change reported performance, and the possible effects that other factors that influence results might have.

Figure 4.4 Job Placements by WDD Increased as Utah’s Economic Situation Deteriorated during the COVID-19 Pandemic. Utah’s unemployment rate increased because of societal efforts to reduce COVID-19 transmission rates. WDD quarterly placements subsequently increased by 36 percent for fiscal year 2020

It is important to assess whether a measure is a fair representation of an agency’s outputs or if the results are distorted by external factors like Utah’s economy, which spiked job placements in Figure 4.4.



Source: Office of the Legislative Fiscal Analyst’s COBI website for fiscal year 2021-22.

This performance measure has been required in the social services base budget bill for many years. As this figure shows, the number of quarterly job placements by WDD had been in decline as Utah’s monthly unemployment rate decreased from 4.2 percent to 2.4 percent between July 2013 and January 2020. Many Utahns were laid off during the pandemic, which caused Utah’s unemployment rate to peak in April 2020 at 10.1 percent. Per DWS’s comment accompanying this COBI chart, “The trend in total job seekers placed follows changes in the economy.”

WDD administrators explained that a spike in unemployment from COVID-19 resulted in clients who had fewer barriers to employment and obtained jobs relatively quickly.

This example raises a fundamental question about what is really being measured. WDD administrators explained that as unemployment rates decrease, the clients they typically work with have greater barriers to employment. With the spike in unemployment induced by COVID-19, many new clients only necessitated refreshes of their job application resources (i.e., resumes, cover letters, and interviewing skills) and were able to obtain jobs relatively quickly. Therefore, it is important to assess whether a measure like the number of job placements is a fair representation of WDD outputs, or if the results are distorted by external factors like Utah’s economy.

Entities Other Than the Assigned Agency Control Reported Results

Another instance of an external factor driving results relates to the Office of Child Care Assistance within DWS. As a supplemental COBI measure, the percentage of cases where eligibility was determined within 30 days was reported. However, these determinations are made by staff in the Eligibility Services division rather than the Office of Child Care. As one of DWS's nine divisions on its website, the Office provides five different services.¹⁰ Thus, this appears to be a missed opportunity to assess the outputs, quality, or outcomes of one of these services.

Another example of an entity other than the assigned agency reporting results has been identified and remedied as part of the reporting process for 2020 base budget bill measures. More specifically, DOH's Family Health and Preparedness division reports, as one of its base budget bill measures, the gross profitability for ambulance providers. The reported results for 2020 included the following assessment: "The problem with this measure is that agency finances are highly variable due to local decisions, economy, growth, etc." The rate-setting process that this measure attempted to represent was reported by LFA to not to be the primary driver of the results. Therefore, a substitute measure that focused on audits of five emergency medical services providers that were considered to have financial issues would be performed.

Identifying situations like these, where other factors besides the intended agency are driving reported results, are likely to be identified through active collaboration. Part of the collaborative process is allowing agencies to report on actions they have taken, as well as barriers that limited their progress. Such narrative information is promoted by GASB as essential for stakeholders to understand performance measures and make decisions based on that information. The final section of this report summarizes the need to develop more robust performance measures that include the significance of targets, agency action plans, and external factors that affect results. Aligning

¹⁰ According to the Legislative Fiscal Analyst's COBI website, the Office of Child Care provides the following five services 1) Child Care Subsidy, 2) Child Care Resource and Referral, 3) Child Care Professional Development and Training, 4) Child Care Quality System, and 5) After School Programs.

While the Eligibility Services division determines who receives child care assistance subsidies, the timeliness of these decisions is another division's measure.

Allowing agencies the opportunity to report on their performance improvement actions and other factors can help users understand who is responsible for reported results.

these three elements will better provide the necessary data for the Legislature to make policy decisions.

Annual Performance Measure Requirements and Reports Should Include Additional Details

Promoting accountability and decision-making regarding social services agencies involves an in-depth communications process whereby data points, tables, and charts are one element. To generate meaning, additional narrative information is essential to understand how targets, agency actions, and external factors impact results and their corresponding improvement goals. These three elements have been described in this chapter. Without this contextual information, undesirable performance trends detailed in Chapter I, rather than meaningful improvements, become the by-product.

Specific to performance measure requirements, additional detail regarding the basis of performance measure targets was addressed earlier in this chapter. Additionally, some acknowledgement of what agency actions or initiatives will be taken to drive improvements would be helpful for stakeholders—the Legislature, the Office of the Legislative Fiscal Analyst, the Governor’s Office of Planning and Budget, and the impacted agency—to recognize. Essentially, this information serves as a control against passive or irrelevant measures, ensuring that agencies work toward meaningful improvements. We recommend that brief statements regarding the basis for targets accompany legislative measures. Target explanations could either be provided as part of reported results or linked via supplemental documentation.

With legislative expectations set by establishing a basis for targets and anticipated agency actions, a proper feedback loop to allow agencies to report on progress made or barriers encountered would be appropriate. Therefore, it is equally important for results to include narrative information on agency actions and other factors. Results reported on base budget bills for 2020 included 77 of 145 measures with no comments about the results, and many of those with comments focused on target adjustments. This points to a need for greater feedback on how improvement efforts are progressing.

We recommend narrative information about agency actions and external factors be collected and consistently reported for base budget

In agency reporting, additional narrative information is needed to assist users with understanding how targets, agency actions, and external factors impact the improvement goals that measures represent.

bill and COBI measures. Users should be presented this narrative information with reported results or able to access it via linked documentation. We also recommend that LFA and GOPB create an information system or data portal to centrally house performance measures, as well as the associated contextual and narrative information. This central repository for all performance measures can be a powerful tool for policy makers, stakeholders, and the public as they monitor and review state government's productivity, efficiency, and compliance. Such information is essential as performance measures undergo periodic efficiency reviews under the newly formalized process in *Utah Code* 63J-1-904, which was part of HB 326 passed during the Legislature's 2021 General Session.

Recommendations

1. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget include the basis for targets when performance measure results are reported by the information system being developed per *Utah Code* 63J-1-903(1).
2. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget supplement reported performance with:
 - a. Meaningful targets
 - b. Specific agency action plans for improvement, and
 - c. External factors that may influence results

as part of the information system being developed per *Utah Code* 63J-1-903(1) or in COBI.

3. We recommend the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget create an information system or data portal suggested in *Utah Code* 63J-1-903(1) to centrally house performance measures and contextual narrative information recommended in this chapter.



Appendix

Appendix: Complete List of Audit Recommendations

This report made the following eight recommendations. The numbering convention assigned to each recommendation consists of its chapter followed by a period and recommendation number within that chapter.

Recommendation 2.1

We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget address the oversight gaps that exist for large programs by considering funding levels and other methods to allocate measures per *Utah Code* 63J-1-903(2).

Recommendation 2.2

We recommend the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget ensure that the information System selected in *Utah Code* 63J-1-903(1) report multiyear trends for base budget bill measures.

Recommendation 2.3

We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget clarify the roles and expectations for additional supplemental measures that support the Legislature's core measures identified via the process in *Utah Code* 63J-1-903(2).

Recommendation 3.1

We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget consider supplementing activity measures with those quantifying the fiscal impacts and other impacts of agency efforts on their accomplishments.

Recommendation 3.2

We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget consider potential fiscal impacts as one of the criteria in *Utah Code* 63J-1-904(2)(e) that will be used to assess which performance measures will be retained, modified, or discontinued.

Recommendation 4.1

We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget include the basis for targets when performance measure results are reported by the information system being developed per *Utah Code* 63J-1-903(1).

Recommendation 4.2

We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget supplement reported performance with:

- (a) Meaningful targets
- (b) Specific agency action plans for improvement, and
- (c) External factors that may influence results

as part of the information system being developed per *Utah Code* 63J-1-903(1) or in COBI.

Recommendation 4.3

We recommend the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget create an information system or data portal suggested in *Utah Code* 63J-1-903(1) to centrally house performance measures and contextual narrative information recommended in this chapter.

Agency Responses

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State of Utah

SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

Department of Human Services

Executive Director's Office

TRACY S. GRUBER
Executive Director

NATE CHECKETTS
Deputy Director

DAVID LITVACK
Deputy Director

October 8, 2021

Kade R. Minchey CIA, CFE, Auditor General
Office of the Legislative Auditor General Utah State Capitol Complex
Rebecca Lockhart House Building, Suite W315
P.O. Box 145315
Salt Lake City, UT 84114-5315

Dear Mr. Minchey,

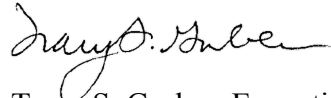
Thank you for the opportunity to respond to the recommendations in A Performance Audit of Social Service Agencies' Performance Measures (Report #2021-12). This letter is the combined response of both the Utah Department of Health and the Utah Department of Human Services given the law requiring that our two departments become the Utah Department of Health and Human Services (DHHS), effective July 1, 2022.

We appreciate the effort and professionalism of you and your staff in this review and the collaborative approach taken to understand the use of performance measures in both the Utah Department of Health and the Utah Department of Human Services. As we continue to build the combined DHHS, the establishment of comprehensive strategic plans and meaningful performance measures will be central to the new department. The new organization will include a Center for Strategic Performance Management that will house a Division of Continuous Quality & Improvement, as well as the Division for Data, Systems & Evaluation. Combined, these divisions will be outcome-focused and data-driven to ensure that outcomes are realized for the individuals and communities DHHS will serve and be accountable for the funding it receives from the Utah Legislature. The results of this performance audit provides us with additional guidance and direction as we develop meaningful performance measures that meet the needs of the Governor, the Legislature and the residents of Utah.

While we recognize that this performance audit was conducted to provide guidance to both the Office of the Legislative Fiscal Analyst and the Governor's Office and Planning and Budget, both responsible for the implementation of Performance Reporting and Efficiency Requirements (H.B. 326, General Session 2021), our Departments concur with the recommendations in this report. Our responses reflect our approach in addressing these recommendations.

The Utah Department of Health and the Utah Department of Human Services are committed to efficient operational processes and effective use of taxpayer funds and value the insight this report provides on areas that need improvement.

Sincerely,



Tracy S. Gruber, Executive Director, Utah Department of Human Services



Nate Checketts, Executive Director, Utah Department of Health

CHAPTER II

Recommendation 2.1. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor’s Office of Planning and Budget address the oversight gaps that exist for large programs by considering funding levels and other methods to allocate measures per Utah Code 63J-1-903(2).

Department Response: The Departments concur with the recommendation that multiple factors should be considered in establishing the appropriate number of performance measures, including factors such as funding levels, purpose of the appropriation and services provided with the appropriation.

Recommendation 2.2. We recommend the Office of the Legislative Fiscal Analyst, and the Governor’s Office of Planning and Budget ensure that the information system selected in Utah Code 63J-1-903(1) report multiyear trends for base budget bill measures.

Department Response: The Departments concur. As DHHS is established, some current measures will be kept and some new performance measures will be developed. While these new measures may lack multiyear trends initially, DHHS will maintain them over time and use initial years as a baseline for future targets and trends.

What: The Departments and DHHS will provide the necessary information to ensure that performance measures have the ability to baseline data and then establish multiyear trends. By doing this, the state will be able to track outcomes longitudinally to evaluate the effectiveness of funding.

When: The Departments and DHHS will work with the LFA and GOPB to have new measures established for all line-items by October 2022 (or by a date established by LFA and GOPB).

Contact: Nate Winters, Assistant Deputy Director, Utah Department of Human Services
Shari Watkins, Finance Director, Utah Department of Health

Recommendation 2.3. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor’s Office of Planning and Budget clarify the roles and expectations for additional supplemental measures that support the Legislature’s core measures identified via the process in Utah Code 63J-1- 903(2).

Department Response: The Departments concur with this recommendation and appreciate that the audit includes definitions for “core measures” and “supplemental measures.”

What: The new DHHS is implementing a strategic planning and performance measure approach known as Results Based Accountability (RBA). In this approach, DHHS will establish outcome measures and performance measures. DHHS will use a matrix to place these measures into proper classifications including those measuring outputs (e.g. numbers of people served, number of programs established), efficiency measures (e.g. wait times, error rates), and measures to determine if the goal of a particular program or appropriation is being achieved. In the context of human services and social services, this can

be stated as ‘Is anyone better off?’ as a result of the program or appropriation. DHHS expects that this approach will be effective in establishing performance measures for appropriations from the Legislature. Depending on the definitions established by the LFA and GOPB, within the RBA framework, outcomes are core measures, with the other measures of operational performance becoming supplemental measures. DHHS will collaborate with the LFA and GOPB to ensure it is properly understanding the definitions and establishing measures in accordance with these definitions.

When: DHHS will establish its strategic plan using the Results Based Accountability approach by December 31, 2022.

Contact: Tracy Gruber, Executive Director, Utah Department of Human Services
Nate Checketts, Executive Director, Utah Department of Health

CHAPTER III

Recommendation 3.1. We recommend that social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget consider supplementing activity measures with those quantifying the fiscal impacts and other impacts of agency efforts on their accomplishments.

Department Response: The Departments concur with this recommendation. The Departments seek to deliver the highest value through the programs they operate. Measuring the value of these programs requires looking both at the costs and fiscal impacts of these programs, as well as the quality and human impact of these programs. For example, often there are high costs associated with programs designed to impact the outcomes of individuals with complex needs, but the return on the investment of these programs also has the potential to be high. Incorporating both performance and fiscal impacts of an appropriation demonstrates its importance to both the Departments.

What: The Departments will evaluate existing performance measures to determine if these measures will continue to be utilized in DHHS. If so, the Departments will evaluate whether the measures may be adapted to quantify the fiscal impact. DHHS will coordinate with GOPB and LFA on making modifications to the performance measures that align with this recommendation. Additionally, DHHS will evaluate whether it can incorporate fiscal impact in new measures it will establish during the 2022 General Session for Fiscal Year 2023 and beyond.

When: By January 15, 2022, the Departments will review their performance measures to determine if (1) measures will be continued after July 1, 2022; and (2) if so, determine whether the measures continuing should incorporate fiscal impact.

Contact: Nate Winters, Assistant Deputy Director, Utah Department of Human Services
Shari Watkins, Finance Director, Utah Department of Health

Recommendation 3.2. We recommend that the Office of Legislative Fiscal Analyst, and the Governor’s Office of Planning and Budget, and social service agencies consider potential fiscal impacts as one of the criteria in Utah Code 63J-1-904(2) that will be used to assess which performance measures will be retained, modified or discontinued.

Department Response: As noted in the response to Recommendation 3.1, the Departments concur with the recommendation that fiscal impact be considered in establishing meaningful performance measures. As discussed in the response to Recommendation 3.1, the Departments commit to conducting their own review of their performance measures and participating in any review required by GOPB and LFA.

CHAPTER IV

Recommendation 4.1. We recommend the social service agencies, the Office of the Legislative Fiscal Analyst, and the Governor’s Office of Planning and Budget include the basis for targets when performance measure results are reported by the information system being developed per Utah Code 63J-1-903(1).

Department Response: The Departments concur with this recommendation.

What: Once the LFA and GOPB establish the information system for performance measure results, the Departments will provide brief statements regarding the basis for targets.

When: To be determined based on LFA and GOPB’s establishment of the performance measurement information system

Contact: Nate Winters, Assistant Deputy Director, Utah Department of Human Services
Shari Watkins, Finance Director, Utah Department of Health

Recommendation 4.2. We recommend the social service agencies, the Office of Legislative Fiscal Analyst, and the Governor’s Office of Planning and Budget supplement reported performance results with: (a) meaningful targets, (b) specific agency action plans for improvement, and (c) external factors that may influence results.

Department Response: The Departments concur and appreciate this recommendation of requiring additional context and action for the performance measure they select and evaluate annually to determine if outcomes are being achieved. This recommendation is particularly important in the context of health and human services where multiple internal and external factors may contribute to achieving a defined outcome.

What: Once LFA and GOPB establish the information system for performance measure results, the Departments will provide the supplemental information identified in this recommendation.

When: To be determined based on LFA and GOPB's establishment of the performance measurement information system

Contact: Nate Winters, Assistant Deputy Director, Utah Department of Human Services
Shari Watkins, Finance Director, Utah Department of Health

Recommendation 4.3. We recommend the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget create an information system or data portal suggested in Utah Code 63J-1-903(1) to centrally house performance metrics and contextual narrative information recommended in this chapter.

Department Response: The Departments concur with this recommendation and will support LFA and GOPB in their efforts to develop this performance metrics information system. As noted in Recommendation 4.2, the Departments agree that providing this additional information will assist stakeholders in evaluating the Departments' productivity, efficiency and compliance associated with their appropriations.



State of Utah

SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

**Department of
Workforce Services**

CASEY R. CAMERON
Executive Director

GREG PARAS
Deputy Director

NATE MCDONALD
Deputy Director

October 8, 2021

Mr. Kade Minchey, CIA, CFE
Auditor General
Office of the Legislative Auditor General
Utah State Capitol Complex
Rebecca Lockhart House Building, Suite W315
P.O. Box 145315
Salt Lake City, UT 84114-5315

RE: Report No. 2021-12

Dr. Mr. Minchey:

We appreciate the work of the Office of the Legislative Auditor General related to this audit. We agree with the recommendations and share a common goal of developing performance measures that demonstrate accountability and help the Department of Workforce Services (DWS) effectively manage programs.

A few years ago, DWS adopted a performance model called “Results-Based Accountability” (RBA). This model identifies principles that are helpful in measuring performance, primarily in a social services environment. These principles do not fit every circumstance, but provide a model that is generally helpful. When DWS develops performance measures, we usually consider various factors including those noted below.

Quality Over Quantity

Since the collection and reporting of data costs money, RBA encourages identifying and focusing on those measures that are the strongest indicators that the intended result is being achieved. We recognize that additional measures help managers identify areas for program improvement; but, when fewer indicators effectively measure performance, we believe that reporting additional measures is not a good use of resources.

Comparing Performance

The audit identifies comparisons to historical trends, which is an important measure. RBA identifies comparisons to others and established standards as ways to also measure performance. When performance approaches higher levels, the incremental cost of improvement often increases exponentially. In these instances, it may be appropriate for management to make a



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conscious decision that the cost of improved performance outweighs the benefit. In these instances, performance may appear stagnant when compared to prior years; but, when compared to others or established standards, it may be an appropriate stretch goal.

Our understanding is that the audit recommendations allow the flexibility to consider the items noted above in developing performance measures and we look forward to working with the Governor's Office of Planning and Budget and the Legislative Fiscal Analysts' Office in continuing to develop or refine meaningful performance measures.

Kind regards,



Casey Cameron
Executive Director



GOVERNOR'S OFFICE OF PLANNING & BUDGET

SOPHIA DICARO
Executive Director

October 8, 2021

Kade R. Minchey CIA, CFE, Auditor General
Office of the Legislative Auditor General
Utah State Capitol Complex
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Salt Lake City, UT 84114-5315

Dear Mr. Minchey,

Thank you for the opportunity to respond to the recommendations in *A Performance Audit of Social Service Agencies' Performance Measures (Report #2021-12)*. We appreciate the effort and professionalism of you and your staff in this review and the collaboration between the legislative and executive branches on state performance management. We believe that the results of our combined efforts will improve the quality of performance measures; strengthening the link between budgets and performance measures and ultimately toward streamlining and modernizing state government.

We generally agree with the findings and recommendations outlined in the audit and have already taken steps to improve performance measures largely through the implementation of HB 326, *Performance Reporting and Efficiency Requirements*, (M. Ballard). Please see attached, specific responses to each recommendation made in the audit.

Sincerely,

Sophia DiCaro
Executive Director
Governor's Office of Planning and Budget

CHAPTER II

Recommendation 2.1. Address the oversight gaps that exist for large programs by considering line item funding levels and other methods to allocate measures.

View of Responsible Officials

The Governor's Office of Planning and Budget (GOPB) agrees with this finding.

Funding levels could be one consideration among multiple factors when deciding on the appropriate number of performance measures for each budgetary line item. The budget structure does not necessarily follow the business structure or the flow of work through a system or process. Therefore, the size of the appropriation does not necessarily equate to the complexity of business processes in a line item. GOPB would suggest using the number of systems of work and the complexity of those systems as the driving factors when considering the appropriate number of performance measures.

Recommendation 2.2. Ensure that the information system selected reports multi year trends for appropriations act measures.

View of Responsible Officials

GOPB agrees with this finding.

The information system that was selected to serve as a repository for performance measures is GOPB's Budget Prep system. This system is set up to collect multiple years of data for performance measures. Future work planned for Budget Prep includes visualization tools to display trend data for performance measures.

Recommendation 2.3. Clarify the roles and reporting for additional supplemental measures that support the Legislature's core measures.

View of Responsible Officials

GOPB agrees with this finding.

Clarifying the roles and reporting required for any additional supplemental measures is important. It is also important to ensure that any additional supplemental measures correspond to their stakeholders. While measuring activities can be valuable for agency operations, often outcome-based measures are more meaningful to policymakers. We also urge caution against the

adoption of too many measures. Too many measures could overwhelm stakeholders with too much information making it difficult to focus on where system improvements need to be made.

CHAPTER III

Recommendation 3.1. Consider supplementing activity measures with those quantifying the fiscal impacts and other impacts of agency efforts on their accomplishments.

View of Responsible Officials

GOPB agrees with this finding.

Tying fiscal impacts to measures is good when practical. Linking budgets with performance is part of the Governor’s priorities as described in the One Utah Roadmap. We recognize, as the audit does as well, that measuring the fiscal impact of some measures is more difficult than others. Given that constraint, it is reasonable to consider the fiscal impact in situations where it is possible and makes sense.

Recommendation 3.2. Consider potential fiscal impacts as one of the criteria used to assess which performance measures will be retained, modified, or discontinued.

View of Responsible Officials

GOPB agrees with this finding.

Please refer to the comments in Recommendation 3.1

CHAPTER IV

Recommendation 4.1. Include the basis for targets when performance measure results are reported by the information system being developed.

View of Responsible Officials

GOPB agrees with this finding.

Additional contextual information surrounding the development of and results of performance measures could be very helpful in determining the performance of the system of work and the adequacy of the measure. The Budget Prep system enables users to add contextual information when they propose new measures and when inputting outcome data into the system. The future work planned for Budget Prep could further satisfy this need and provide a more accessible home for the measures, targets, outcome data and other key pieces of contextual information. We

do caution that too many measures with too much contextual information could overwhelm the target audience and mask or hide areas that need attention.

Recommendation 4.2. Supplement reported performance results with meaningful targets, specific planned agency activities to improve, and external factors that may influence results as part of the information system being developed.

View of Responsible Officials

GOPB agrees with this finding.

We agree that targets should be meaningful, that agencies should have planned strategies for improvement and handling outside influences affecting performance. The Budget Prep system is set up to capture contextual information about performance measures, targets, and data. As has been detailed above, GOPB would caution that all of this important information be used and provided at the right times and with the proper audience so that focus can be maintained on the areas that have the greatest opportunity for improvement.

Recommendation 4.3. Create an information system or data portal to centrally house performance metrics and contextual narrative information.

View of Responsible Officials

GOPB agrees with this finding.

GOPB's Budget Prep system was selected to serve as the central repository for performance measures. As discussed above, the system enables users to add contextual information when they propose new measures and when inputting outcome data into the system.

OFFICE OF THE
LEGISLATIVE
FISCAL
ANALYST

JONATHAN C. BALL
DIRECTOR

October 7, 2021

Kade R. Minchey
Legislative Auditor General
Suite W315
Rebecca Lockhart House Office Building
Utah State Capitol Complex
Salt Lake City, UT 84114

Dear General Minchey:

For more than a decade this office has worked to integrate performance with financial data in the budget process. Effecting such a culture change takes time, patience, and buy-in. The mere existence of *A Performance Audit of Social Service Agencies' Performance Measures* indicates that we collectively may finally have achieved the last.

Many, if not all, of this audit's recommendations are already in process. Your articulating them here serves to reinforce that direction. I agree with and support your findings.

Sincerely,



Jonathan C. Ball
Legislative Fiscal Analyst

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