



Report of the Vermont State Auditor

---

June 29, 2009

DEPARTMENT OF  
BUILDINGS AND  
GENERAL SERVICES

Performance Measurement  
System Could Be Improved

---

**Thomas M. Salmon, CPA**  
**Vermont State Auditor**  
**Rpt. No. 09-3**

### **Mission Statement**

The mission of the Auditor's Office is to be a catalyst for good government by promoting reliable and accurate financial reporting as well as promoting economy, efficiency, and effectiveness in state government.

This report is a work of the Office of the State Auditor, State of Vermont, and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from the State of Vermont or the Office of the State Auditor. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately. Please contact the Office of the State Auditor if you have questions about reproducing this report.

**THOMAS M. SALMON, CPA  
STATE AUDITOR**



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

June 29, 2009

The Honorable Shapleigh Smith  
Speaker of the House of Representatives

The Honorable Peter D. Shumlin  
President Pro Tempore of the Senate

The Honorable James Douglas  
Governor

Mr. Gerry Myers  
Commissioner, Department of Buildings and General Services

Dear Colleagues,

Governmental organizations at the federal, state, and local levels have found that a commitment to fact-based measurement of performance can have significant benefits. Moreover, in this era of difficult budget choices it is imperative that decision-makers be provided with performance measurement information to help guide these choices. Performance information, such as goals, measures, and related actual results, can provide critical insight into whether specific programs or activities merit additional funding, deserve less funding, or should have their actions redirected along more fruitful lines.

This report evaluates the performance measurement system utilized by the Department of Buildings and General Services (BGS). In general, while BGS has taken important steps in implementing a performance measurement system, this system is not yet mature. We are making a series of recommendations that, if implemented, could improve BGS' performance measurement system which, in turn, should provide a realistic and multifaceted picture of the Department's performance.

I would like to thank the management and staff of BGS for their cooperation and professionalism. If you would like to discuss any of the issues raised by this audit, I can be reached at (802) 828-2281 or at [auditor@state.vt.us](mailto:auditor@state.vt.us).

Sincerely,

*Thomas M. Salmon CPA*

Thomas M. Salmon, CPA  
State Auditor

**132 State Street • Montpelier, Vermont 05633-5101**  
**Auditor: (802) 828-2281 • Toll-Free (in VT only): 1-877-290-1400 • Fax: (802) 828-2198**  
**email: [auditor@state.vt.us](mailto:auditor@state.vt.us) • website: [www.auditor.vermont.gov](http://www.auditor.vermont.gov)**

---

# Contents

---

---

## Report

	<b>Page</b>
Introduction	1
Highlights	3
Background	4
A More Strategic and Systematic Approach Could Improve BGS' Goals and Measures	8
Actual Results Tracked, But Usefulness Could Be Enhanced With Targets and More Reliable Data	15
Usefulness of Performance Report to Legislature Could Be Enhanced	21
Conclusions	24
Recommendations	25
Management's Response and Our Evaluation	26
Appendix I: Scope and Methodology	29
Appendix II: Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments	32

---

## Tables

Table 1: Summary of Practice Results Related to Goals and Measures	9
Table 2: Comparison of BGS and Other Organizations' Measures for Selected Functions	14
Table 3: Summary of Practice Results Related to Targets and Actual Results	16
Table 4: Results of Tests of the Six Fiscal Year 2008 Actual Results	19

---

# Contents

---

Table 5: Summary of Practice Results Related to Performance Report to the Legislature	21
--	----

---

## Abbreviations

BGS	Department of Building and General Services
EPA	Environmental Protection Agency
GSA	General Services Administration
LEED	Leadership in Energy and Environmental Design
VSA	Vermont Statutes Annotated

---

---

## Introduction

Some federal agencies, states, and local communities have demonstrated a deep-seated commitment to effective government performance measurement. These governmental organizations have found that a commitment to fact-based measurement of performance can have significant benefits. For example,

- Some Federal organizations have used performance information to identify problems in programs and take corrective action, prioritize and allocate resources, and share more effective processes and approaches.<sup>1</sup> For example, the National Highway Traffic Safety Administration used performance information to identify, develop, and share effective programs and strategies to increase safety belt usage. This contributed to an increase in seat belt usage nationally from 11 percent in 1985 to 80 percent in 2004.
- According to a recent report, Indiana, Maryland, Utah, and Virginia, which are performance measurement leaders, used performance data to help deal with budget difficulties resulting from the recent economic downturn.<sup>2</sup> These states used their performance measurement systems to reduce budgets by identifying and discontinuing underperforming programs as well as to redirect at least some of these savings to programs that showed more progress and promise.
- The use of a performance measurement system in Baltimore reportedly resulted in (1) the reduction and control of the city's use of overtime, (2) the reduction in absenteeism and accident time utilization, (3) the termination of costly initiatives that were inconsistent with mayoral priorities, (4) increased access by citizens to government performance data, and (5) improved intergovernmental and intragovernmental cooperation.<sup>3</sup>

---

<sup>1</sup>*Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making* (U.S. Government Accountability Office, GAO-05-927, September 9, 2005).

<sup>2</sup>*Trade-off Time: How Four States Continue to Deliver* (The Pew Center on the States, February 2009).

<sup>3</sup>*The Baltimore CitiStat Program: Performance and Accountability* (IBM Endowment for The Business of Government, May 2003).

---

Given the benefits that can accrue from the effective use of performance measurement, our office has undertaken a series of audits focusing on this subject. As part of this effort, this report addresses performance measurement at the Department of Buildings and General Services (BGS), which provides a wide-range of services to the rest of State government, including building construction and renovation, maintenance and custodial services, fleet services, security, and purchasing services.

Our audit objectives were to (1) evaluate whether BGS has goals and measures that gauge the effectiveness and efficiency of its major programs and operations, (2) ascertain the extent to which BGS tracks actual results against performance targets and validates the reliability of such data, and (3) determine whether BGS is reporting performance measurement data to the Legislature for each of its goals. To perform this audit, we evaluated the BGS performance measurement system against 21 practices that we developed using a wide variety of federal, state, and private sector sources. Using these practices, we reviewed BGS' most recent performance report, interviewed key management staff, and reviewed relevant supporting documentation. Appendix I provides more detailed information on our scope and methodology.

---

# Highlights: Report of the Vermont State Auditor

## Department of Buildings and General Services: Performance Measurement System Could Be Improved

---

(June 29, 2009, Rpt. No. 09-3)

---

### Why We Did This Audit

Performance measurement has been used by other governments to more effectively manage their operations. To assess whether BGS has a performance measurement system that could be used in this manner, we evaluated whether the Department had goals and measures that gauged the effectiveness and efficiency of its major programs and operations, ascertained the extent to which BGS tracked actual results against performance targets and validated the reliability of such data, and determined whether BGS was reporting performance measurement data to the Legislature for each of its goals.

### What We Recommend

We provided a variety of recommendations to improve BGS' performance measurement system. In particular, we recommended that BGS develop a strategic plan, revisit its goals and measures, establish targets, document the sources and methods for its actual results, and include explanations of its results in its performance report to the Legislature.

### Findings

Although BGS has established a set of goals and measures, they were not developed within a formal strategic planning process, which limited their usefulness as a mechanism to gauge the effectiveness and efficiency of its major programs and operations. In particular, BGS did not establish goals and measures related to certain key efforts, such as its role in supporting the Governor's initiatives to reduce energy consumption and greenhouse gas emissions in State government. In addition, many of BGS' goals did not have related measures and those that were utilized often only measured the volume of an activity and not whether intended outcomes or efficiencies were being achieved. BGS' goals and measures were primarily developed by the Department's directors and their staffs without written guidance on how they should be developed and without the benefit of a strategic plan, which may account for such deficiencies. BGS has recognized that it needs to improve its goals and measures. A more strategic and systematic approach to developing goals and measures would provide BGS with a stronger foundation for evaluating whether it is achieving its mission.

BGS generally tracked actual results related to its measures, but it (1) had few numerical targets that could be used to help evaluate these results and (2) did not have processes in place to ensure the reliability of the reported fiscal year 2008 performance data. Regarding targets, about 10 percent of BGS' measures included targets and none were based on standards established by authoritative sources. For example, although the State's 2005 energy plan indicates that new buildings should meet or exceed a certain Federal government energy efficiency rating, BGS did not establish this benchmark as a measure or target nor did it track compliance with this standard. Accordingly, BGS does not know whether it is meeting this element of the State's energy plan. In addition, of the six actual results that we reviewed, five had significant data, mathematical, and/or methodology errors. For example, one had a mathematical error in which the numerator and denominator of the equation were reversed and another was based on a series of spreadsheets, about a quarter of which had formula or data errors. BGS did not require that the sources and methods used to develop actual results be documented and validated. Such processes could have identified and corrected the types of errors found before they were included in the performance report.

In its most recent performance report, BGS included some, but not all, critical performance measurement information that would allow the Legislature to evaluate whether the Department is achieving its goals. On the positive side, BGS consistently reported on the strategies it intended to use to achieve planned outcomes. However, BGS did not always include, nor explicitly link, goals, measures, targets, and actual results in the report, thereby making it difficult to effectively assess progress. In addition, BGS did not provide narrative explanations of its results. Without this information, it was not clear whether BGS achieved intended results or whether corrective actions needed to be taken. According to BGS officials, the department's performance report is a work in process.

---

---

## Background

For about 15 years, State government organizations have been required to annually submit various performance measurement information to the General Assembly. However, these requirements did not include definitions of the various terms commonly used in a performance measurement system. Accordingly, in order to evaluate and report on State organizations' performance measurement systems on a consistent basis, we adopted performance measurement definitions used by others and applied them to BGS' performance measurement system.<sup>4</sup> In accordance with the State statute, in January 2009 BGS provided the Legislature with performance measurement data, including the missions of its major programs and operations.

---

### Vermont Performance Measurement Requirements

In June 1994, Act 210 established 32 VSA 307(c), which requires that State agencies, departments, and offices submit certain performance information to the General Assembly annually. In particular, these entities are required to submit with their budgets:

- a statement of mission and goals;
- a description of indicators used to measure output and outcome; and
- a description of the means and strategies for meeting the needs of the agency or program, including future needs and the achievement of the goals under which it provides services.

In support of this statute, in its instructions for the development and submission of the fiscal year 2010 budgets, the Department of Finance and Management required organizations to submit to the Appropriations Committees of the House of Representatives and the Senate (1) mission statements, including goals, (2) indicators chosen to measure results, impacts, and outcomes, and (3) quantified data on the extent to which results, impacts, and outcomes are being achieved.

---

<sup>4</sup>In those instances in which BGS used different terminology than us, we obtained an understanding from BGS officials of how its Department's terminology aligned with the terms used in this report.

---

## Performance Measurement Terminology

A key consideration in evaluating a performance measurement system is the use of uniform terminology to describe major components of such a system. Neither the State's performance measurement statute nor the Department of Finance and Management's related instructions include definitions of performance measurement terms. Moreover, our research did not discover a standard set of performance measurement terms that were commonly used.

We adopted the following definitions in order to evaluate State organizations' performance measurement systems on a consistent basis. These terms were largely adapted from the Urban Institutes' 2006 edition of *Performance Measurement: Getting Results* and, in those cases in which this document did not define a term, from the Government Finance Officers Association.<sup>5</sup>

- Goal (sometimes called objective). A statement of direction, purpose, or intent based on the needs of the community. A goal is a broad statement of what a program expects to achieve sometime in the future.
- Measure (sometimes called performance measure or performance indicator): A specific numerical measurement for each aspect of performance under consideration. There are various types of measures, including those related to output, intermediate outcome, outcome, and efficiency information. An output measure is the amount of products and services delivered (completed) during a reporting period, such as the number of smoking cessation programs held. Intermediate outcomes are expected to lead to a desired end, but are not ends in themselves. For example, the percentage of smokers who have completed a smoking cessation program could be an intermediate outcome. Outcomes are the desired results of the program, such as a reduction in the number or percentage of people smoking or a reduction in the number or percentage of smoking-related illnesses. Finally, efficiency measures the relationship between the amount of input (usually cost or employee time) and the amount of output or outcome of an activity or program, such as the cost per service delivered.
- Target (sometimes called benchmarks): A desired numerical value related to a measure.

---

<sup>5</sup>The Government Finance Officers Association has a performance management research project, which developed a glossary of performance measurement terms (currently in draft form).

- 
- **Strategic Planning.** A disciplined effort to produce fundamental decisions and actions that shape and guide an organization's mission, goals, and objectives, and develop long-term strategies for organizational success; results in a strategic plan or blueprint stating the mission, goals, and objectives of an organization.

---

## BGS' Mission

In fiscal year 2008, BGS had about \$102 million in net expenditures. In addition, BGS had 444 staff positions that it used to perform a variety of activities. In its most recent report to the Legislature that was prepared to comply with 32 VSA §307(c) (hereafter this document will be called the BGS performance report), BGS described the missions of its major programs and operations that serve a variety of users, including other State organizations, local governments, and the general public. Specifically,

- *Property Management.* To provide State agencies and departments with safe, comfortable, efficient office space.
- *Facilities Operations.* To plan, develop, and maintain accessible buildings and spaces that are safe, efficient, economical, environmentally friendly, sustainable, aesthetically attractive, and that provide economic and healthy work environments appropriate for conducting the State's business.
- *Fleet Management.* To provide clean, well-maintained, safe, cost-effective transportation for employees while performing their official duties and to demonstrate the State's commitment to the environment by reducing the environmental impact of State employee travel.
- *Information Centers.* To provide travel information and a safety break to travelers and serve as Vermont's billboards promoting the "Vermont Experience" by marketing the State's businesses, attractions, and events to the traveling public.
- *Postal Center.* To provide State and local government entities with economical and convenient access to postal and courier services.
- *Print Shop/Copiers.* To provide State and local government entities with economical and convenient access to printing, finishing, and copier services.

- 
- *State Surplus Property.* To ensure that State assets that are no longer needed are accounted for and recycled, reused, or disposed of in a fiscally and environmentally responsible manner.
  - *Federal Surplus Property.* To provide for the fair and equitable distribution of Federal surplus property to public agencies and other eligible entities.
  - *Security.* To provide safety and security for employees, visitors, assets, and facilities within the State. This is done through physical security, security systems, conflict resolution, security solutions, and continuing awareness programs.
  - *Workplace Safety and Training.* To assist State agencies and departments to promote safe work environments and prevent work-related injuries and illnesses through training and on-site consultation.
  - *Purchasing and Contract Administration.* To carry out BGS' statutory procurement responsibilities in the most timely and efficient manner operating at all times in the best interest of the State.
  - *Risk Management.* To protect the State's assets—human, physical, and financial. This function includes the State's self-insurance program, commercially purchased insurance, and general risk management consultation.
  - *Workers' Compensation.* To manage the State's workers' compensation claims.
  - *Finance and Budget.* To deliver timely, accurate, and useful information and services within BGS in the areas of management, accounting, budgeting, auditing, rate setting, and financial reporting and analysis.
  - *Human Resources.* To support BGS through recruitment, development, and retention of highly qualified and trained staff and to provide efficient and effective human resources services.<sup>6</sup>

---

<sup>6</sup>This function was subsequently transferred outside of BGS.

- 
- *Information Technology.* To provide timely, efficient, and effective information technology services within BGS.<sup>7</sup>

---

## A More Strategic and Systematic Approach Could Improve BGS' Goals and Measures

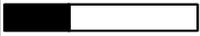
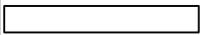
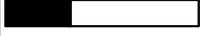
BGS has established a set of goals and measures that it reported in its performance report, but they were not developed within a formal strategic planning process, which limited their usefulness as a mechanism to gauge the effectiveness and efficiency of its major programs and operations. In addition, BGS' report did not explicitly link its goals and measures and did not have a mix of measures that would have provided a multifaceted perspective on the Department's performance. Table 1 provides a summary of our assessment of the extent to which BGS has implemented certain practices that we used to evaluate BGS' goals and measures.<sup>8</sup>

---

<sup>7</sup>This function was subsequently transferred outside of BGS.

<sup>8</sup>Appendix I provides a description of how we chose these practices and more detail on our evaluation criteria.

**Table 1: Summary of Practice Results Related to Goals and Measures**

Overall Assessment	No.	Practice Description	Comment
	1.1	The organization has established one or more goals that describes what it is trying to achieve.	BGS identified goals for various elements of its organization in its performance report. However, the report did not include goals associated with major initiatives to reduce energy consumption and improve environmental conservation in State government. In addition, BGS' goal statements were often vague or described process-oriented activities rather than planned achievements.
	1.2	The organization's goals and major programs and operations are aligned.	BGS has aligned its goals and major programs and operations in that there were goals associated with each of the areas laid out in its performance report. However, in at least two cases--energy and environmental conservation--major BGS initiatives were not addressed in these goals.
	1.3	The organization's goals were developed through a strategic planning process that resulted in a written plan.	BGS management staff described various planning processes that were followed as part of developing its goals and measures. However, these processes were not documented nor has BGS developed a strategic plan.
	1.4	The organization's current goals are consistent with those in its strategic plan.	BGS does not have a strategic plan.
	1.5	All goals have one or more relevant measures.	BGS' performance report did not directly and clearly link any of its goals and measures. Our analysis showed that over 40 percent of the goals did not have associated performance measures or had placeholders for unspecified measures that had not yet been completely developed.
	1.6	The organization has a mix of measures, such as outcome, intermediate outcome, output, and efficiency measures, that demonstrate progress towards intended results and the economic use of resources.	BGS had many measures. However, almost half of these measures were output measures, which, by themselves, generally do not demonstrate progress towards the achievement of intended results or the economic use of resources. The types of measures that more effectively demonstrate this type of progress, such as those related to outcomes or efficiency, were generally lacking.
	1.7	The organization's measures are quantified or quantifiable.	BGS measures were quantifiable.

**Legend:**

-  Fully addressed—The practice was in place.
-  Largely addressed—The elements of the practice were in place more often than not.
-  Somewhat addressed—Less than half of the practice elements were in place or the elements were in place for less than half of the organization's programs or operations.
-  Not addressed—The practice was not in place.

---

## A Formal and Systematic Strategic Planning Process Could Benefit BGS' Performance Measurement System

According to the Council of State Governments, taken together, strategic planning and performance measurement form a continuous process of governing for results.<sup>9</sup> Strategic planning, including a resulting strategic plan, is the starting point of an effective performance measurement system in that it forms the basis for the identification of the goals to be accomplished, strategies for meeting these goals, and measures for gauging the extent to which they have been achieved. Indeed, other states that are considered leaders in performance measurement link their strategic planning and performance measurement systems.

BGS did not utilize a formal and systematic strategic planning process as part of developing its goals and measures. In 2008, as part of his effort to emphasize the use of metrics in BGS programs, the current BGS Commissioner verbally instructed BGS program directors to develop MS PowerPoint<sup>®</sup> presentations that included the answers to “1. Who we are; 2. What we do; 3. How we do it, and 4. How well we are doing it.” These presentations (which have been periodically updated) formed the basis for the information provided in BGS' performance report. However, the program directors developed this information with their staffs without the benefit of written instructions or other guidance regarding a desired or required approach or framework. In addition, based on interviews with BGS directors and managers, while there were some interactions among the various BGS program areas related to the development of goals and measures, such interactions appeared to have been limited. Inter-program coordination is important because it can serve to highlight crosscutting program efforts and provide evidence of the coordination of such efforts. For example, there are multiple organizations within BGS that have responsibility for, or can significantly effect, the Department's efforts to improve energy efficiency and reduce its environmental impact.

The lack of a formal strategic planning process, including a lack of a strategic plan, was manifested in deficiencies in the BGS performance measurement system. In particular,

- BGS' performance report did not include goals and measures related to certain key efforts, such as BGS's role in supporting the Governor's initiatives to reduce energy consumption and greenhouse gas emissions in

---

<sup>9</sup>*The Book of the States* (The Council of State Governments, volume 35, 2003 Edition).

---

State government. First, the State adopted an energy plan in July 2005 that includes energy consumption reduction targets in the State government's infrastructure and transportation sectors of 20 percent and 10 percent, respectively, by 2012 (based on a 2004 baseline). As the leading energy consumer in State government, in August 2007 BGS reported that it was committed to achieving these targets. Second, the Governor issued an Executive Order in September 2003 that required BGS to work with others to ensure that every State building reduces its energy consumption to meet greenhouse gas emission reduction targets (e.g., to reduce greenhouse gas emissions by 25 percent by 2012, using a 1990 baseline). BGS' performance report does not contain goals, measures, or actual results related to its progress towards meeting these targets.

- BGS' performance report included numerous goals. However, these goals were often vague or described process-oriented activities rather than planned achievements. For example, the BGS performance report included goals to (1) be accountable for actions (risk management), (2) continue to track security incident reports throughout State and leased facilities, (3) maintain an inventory of space to facilitate proposed back charging of space to users, and (4) manage the execution of the annual Capital Construction Act as passed by the Legislature. While there is no one way to write a goal statement, well crafted goals are understandable and reflect the priorities of the organization and intended impact of an activity.
- BGS has not developed or reported on measures that compare the operations of the three regions that are part of its Facilities Operations Division. Instead, each region separately decided on the measures that it reported (or proposed) to the Commissioner and they were often not comparable. These regions provide various building and grounds-related services for State government, such as custodial and maintenance services, architectural and engineering services, and construction administration for different geographic areas in the State. Comparisons among the regions could yield improved operations. For example, the Urban Institute and the Council of State Governments note that using performance information to compare and motivate similar organizational units can help identify and disseminate best practices and identify areas in which corrective actions are needed.<sup>10</sup> The lack of common measures may

---

<sup>10</sup>*Making Results-Based State Government Work* (The Urban Institute, 2001) and *The Book of the States* (The Council of State Governments, 2003 Edition).

---

be at least partially attributable to the relative newness of the Facilities Operations Division, which was established in 2008. According to the BGS Deputy Commissioner and regional directors, the Department intends to develop a common set of measures for the Facilities Operations Division.

The BGS Deputy Commissioner and several program officials described the Department's performance measurement system and performance report as a work in process. Taking a more strategic and systematic approach to developing goals and measures would provide BGS with a stronger foundation for evaluating whether it is achieving its mission.

---

### BGS Could Develop Measures That Better Demonstrate Achievement of Goals

Other states, the federal government, research organizations, and other groups agree that, to be effective, it is critical for performance measurement systems to include quantifiable measures that are logically linked to goals and can be used to evaluate various aspects of execution and accomplishment. BGS' measures in its performance report were quantified or quantifiable. However, these measures were not explicitly linked to specific goals.

Through interviews and analysis, we were able to identify a relationship between many of BGS' goals and measures. However, we could not identify measures for about 40 percent of the goals listed in the performance report. For example, the following goals did not have accompanying measures:

- To issue timely and accurate medical and disability benefits for injury/illness, disability, or death that happens in the course of State employment.
- To increase gross revenue by maximizing monies recovered through resale of Federal surplus property.
- To design and plan for new and renovated space and manage work to ensure that it is done in a cost-effective and timely manner.
- To manage parking in State lots more efficiently or effectively.

Moreover, in some cases, significant elements of a BGS goal were not covered by the measures in the performance report. For example, a goal in the facilities operations area was that "all spaces and grounds shall be well-maintained, attractive, energy efficient, economical, environmentally

---

sensitive, safe, and healthy.” However the measures associated with this goal only dealt with its economical element.

In addition, BGS did not always have a mix of different types of measures to help it evaluate the various aspects of its performance. Specifically, almost half of the measures in the BGS performance report were output measures, which reflect the amount of products and services delivered (completed) during a reporting period. While this type of measure can provide useful information, it does not measure accomplishments or results (outcome or intermediate outcome measures) or whether it was done efficiently or effectively.

Less than a third of BGS’ major programs/operations measured (1) outcomes, (2) efficiency, or (3) effectiveness. To illustrate, the workplace safety and training function had only one output-type measure in the performance report—the number of ergonomic assessments that were conducted in fiscal years 2006, 2007, and 2008. Such a measure by itself does not provide insight into the success of this function in reducing workplace injuries (i.e., outcome) or whether its activities are being performed efficiently or effectively (e.g., cost per assessment or a reduction in employee complaints related to ergonomic deficiencies).

Moreover, none of the measures in the performance report assessed customer satisfaction with its services. Customer satisfaction levels are an important indicator of success for organizations like BGS that largely provide services to others, such as custodial, maintenance, and printing services. According to the National Association of Public Administration, customer feedback is an important source of outcome information.<sup>11</sup>

Table 2 provides examples of the measures used by BGS and measures used by other organizations that have similar missions. We are providing this information for illustrative purposes only. BGS may not be able to adopt these measures or additional research may yield better alternatives, but the table illustrates other types of measures that may provide a more multifaceted picture of the Department’s results.

---

<sup>11</sup>*Performance Indicators: Getting Started* (National Academy of Public Administration, Center for Improving Government Performance, October 2002).

**Table 2: Comparison of BGS and Other Organizations' Measures for Selected Functions**

Function	BGS Measures	Other Organizations' Measures
Building projects	Number of projects completed, in progress, and backlogged pending availability of funding.	<p>Washington State has a measure that tracks satisfaction scores of its engineering and architectural customers for project timeliness, cost, and quality.</p> <p>Texas and Indiana use as a measure the percentage of construction projects completed on schedule and within budget. Similarly, a U.S. General Services Administration (GSA) measure tracks the percentage of construction projects completed on schedule weighted by the value of the work in place.</p> <p>GSA also has a measure for the (1) percent reduction in energy consumption (2003 baseline) and (2) percent of new construction that is registered for the Leadership in Energy and Environmental Design (LEED), which indicates the level of sustainability achieved in its new construction program.</p> <p>Maryland measures the percentage change in the rate of change orders that were due to design errors and omissions and the percentage of construction projects completed with less than a 5 percent cost increase for new construction projects and a 10 percent increase for renovations.</p>
Maintenance projects	Major maintenance dollars appropriated per square foot of space.	<p>Washington State's measure is the percentage of planned maintenance items completed.</p> <p>Utah has a measure that benchmarks the maintenance rate (dollars) per square foot of its internal operations versus the private sector.</p> <p>Maryland measures the percentage of customers satisfied with the quality of its maintenance services, knowledge of its staff, and involvement in scope changes.</p>
Property management services	<p>Square footage of state-owned space.</p> <p>Square footage of leased office space.</p>	<p>Florida, and Virginia have measures related to the cost of leased or rented space relative to industry market rates.</p> <p>Virginia also uses measures related to (1) the amount of square feet of office space per occupant of leased space and (2) customer satisfaction.</p>

Function	BGS Measures	Other Organizations' Measures
Purchasing	Number of statewide commodity contracts, construction contracts, service contracts, and purchase orders.  Cost avoidance (dollars).  Number of protests of solicitations and number of overturned awards.  Dollar value of recycled products purchased.	GSA uses a variety of measures related to its acquisition function, including tracking customer satisfaction using the American Customer Satisfaction Index.  Maryland uses as measures the number and percentage of new procurements completed on time, on budget, and on target.
Risk Management/ Workers' Compensation/ Workplace Safety	<u>Risk Management</u> Incurred dollar value of liability claims.  <u>Workers' Compensation</u> Number of reportable claims.  Average cost per reportable claim.  Indemnity (lost-time), medical, and settlement costs.  Total paid claims (in dollars).  3 <sup>rd</sup> party recoveries (in dollars).  <u>Workplace Safety</u> Number of ergonomic assessments conducted.	Utah has a measure for the percentage of claims processed within 7 days.  Minnesota measures the percentage of lost-time claims reports received within 3 days because this increases its ability to evaluate the cause of an injury and to return employees to work.  Texas uses a variety of measures related to these functions, including (1) incident rate of injuries and illnesses per 100 covered full-time State employees, (2) cost of workers' compensation per covered state employee, and (3) average cost to administer a claim.

Some BGS program officials explained that the measures that they chose were in large part determined by data that was readily available and what had been used in the past. While this is understandable, it is not a process that is likely to lead to the best mix of measures. Instead, a more comprehensive approach would be to identify the measures that would best demonstrate the extent to which BGS' goals are being achieved and assess how (or if) such data can be collected in a cost-effective manner.

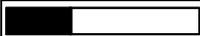
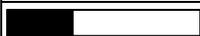
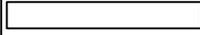
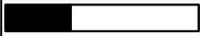
---

## Actual Results Tracked, But Usefulness Could Be Enhanced With Targets and More Reliable Data

BGS generally tracked actual results related to its measures, but it (1) had few numerical targets that could be used to help evaluate these results and (2) did not have processes in place to ensure the reliability of the reported fiscal

year 2008 performance data. Specifically, BGS included target information on only about 10 percent of its measures and did not require that the sources and methods used to develop actual results be documented and validated. The effect of this latter deficiency was demonstrated by significant errors in five of the six fiscal year 2008 results that we reviewed. In particular, our recalculation of one measure indicates that the actual results were less than half of the amount reported. Table 3 provides a summary of our assessment of the extent to which BGS has implemented the practices that we used to evaluate BGS' use of targets and actual results.<sup>12</sup>

**Table 3: Summary of Practice Results Related to Targets and Actual Results**

Overall Assessment	No.	Practice Description	Comment
	2.1	Suitable numerical targets are established for every measure at least annually.	About 10 percent of measures had targets.
	2.2	The organization tracks actual results for each measure.	BGS's performance report contained actual results related to almost all of the measures. However, some reported results were in error or were misleading (see practice 2.5).
	2.3	The organization compares actual results to targets on at least an annual basis.	About 10 percent of measures had targets.
	2.4	The organization has identified the methods and sources for the collection of actual results, including relevant limitations.	BGS does not require that the sources and methods for the collection of actual results be documented.
	2.5	The organization has documentation that supports its actual results.	Five of the six fiscal year 2008 actual results that we chose to review had significant data, mathematical, and/or methodology errors.
	2.6	The organization has processes to validate that actual performance results are accurate and reliable.	BGS does not require that practices be employed to validate actual results.

**Legend:**

-  Fully addressed—The practice was in place.
-  Largely addressed—The elements of the practice were in place more often than not.
-  Somewhat addressed—Less than half of the practice elements were in place or the elements were in place for less than half of the organization's programs or operations.
-  Not addressed—The practice was not in place.

<sup>12</sup>Appendix I provides a description of how we chose these practices and more detail on our evaluation criteria.

---

## Use of Targets Could Provide Useful Benchmarks for Evaluating BGS Progress

According to the Urban Institute, the comparison of outcomes to benchmarks<sup>13</sup> is a fundamental and essential element of performance measurement systems.<sup>14</sup> Moreover, the use of targets to provide a comparison of actual to expected performance is required or recommended by other states, the federal government, and research and other organizations.

BGS generally did not utilize targets in its performance reports to compare expected to actual results. Specifically, targets were included as part of BGS' analysis for about 10 percent of its measures. In addition, only 2 of BGS' major programs and operations (Finance and Budget and Security) reported targets. Program directors and managers attributed the lack of targets to a variety of reasons, including (1) that performance measurement is still a work in process, (2) uncertainty as to what would be an appropriate target, and (3) difficulty in finding comparable benchmark data.

Targets can be established through a variety of methods, including using (1) projections, (2) historical trends, (3) similar organizations in other States, regional areas, or the private sector, and (4) industry standards. Although the latter type of targets may not always be available, there are several industry standards that BGS could have used to measure itself, such as custodial, environmental, and energy performance standards. Asked why they were not using such standards as targets, BGS' regional directors in the Facilities Operations Division responded that they were primarily concerned about the resources (in time and money) associated with complying with specific standards, although at least two of the directors were considering using the custodial standards. Resources are a valid consideration in determining whether to adopt a particular standard as a target. However, this should be balanced against the benefits that can be derived. In particular, such benchmarks can be a powerful motivator for improvement and provide confidence that State activities are being managed to meet generally accepted standards.

In the case of energy efficiency, the Vermont State Agency Energy Plan indicates that the State has adopted the U.S. Environmental Protection Agency's (EPA) Energy Star rating as a benchmark for achieving energy efficient buildings. Specifically, the plan states that "ideally, state-owned

---

<sup>13</sup>Our research found that some sources use the term benchmark in a narrow manner to indicate a comparison against an outside standard. The Urban Institute used the term more broadly.

<sup>14</sup>*Performance Measurement: Getting Results, 2<sup>nd</sup> Edition* (The Urban Institute Press, 2006).

---

buildings will receive an EPA Energy Star Award” and that in new buildings “offices shall meet or exceed the Energy Star 75 rating.”<sup>15</sup> However, the extent to which the buildings managed or constructed by BGS are meeting this standard is not being tracked as a measure/target. Accordingly, BGS does not know whether it is meeting this element of the State’s energy plan.

---

## Reliability of Actual Results Could Be Improved

In order to successfully measure progress toward intended results, organizations need to build the capacity to gather and use performance information. Ultimately, the usefulness of this information depends on the degree of confidence that users have in the data. Such confidence can be gained when organizations (1) identify the methods and sources for the collection of actual results and (2) have processes to validate that actual performance results are accurate and reliable. For example, Texas and Utah require that State organizations develop definitions and calculation methodologies for their measures. In addition, at the Federal level, the Government Performance and Results Act of 1993 requires each agency to describe the means to be used to verify and validate measured values. The importance of such verification and validation is echoed by the other organizations, such as the Governmental Accounting Standards Board, the Council on State Governments, and the Government Finance Officers Association.<sup>16</sup>

BGS does not require that the sources and methods used to calculate performance results be documented nor that actual results be validated. Moreover, based on interviews with program staff we found that such documentation was not routinely available nor was validation performed.

The importance of documentation and validation is demonstrated by the significant data, mathematical, and/or methodology errors that we found in five of the six fiscal year 2008 actual results that we tested (see table 4 for a summary of these errors).

---

<sup>15</sup>To qualify for the Energy Star award, a building must score in the top 25 percent based on EPA’s National Energy Performance Rating System. Organizations can apply for this award if, using an EPA on-line tool, they achieve a rating of 75 or higher that is verified by a professional engineer.

<sup>16</sup>*Reporting Performance Information: Suggested Criteria for Effective Communication* (Governmental Accounting Standards Board, August 2003), *The Book of the States* (The Council of State Governments, 2003 Edition), and *An Elected Official’s Guide to Performance Measurement*, (Government Finance Officers Association, 2000).

**Table 4: Results of Tests of Six Fiscal Year 2008 Actual Results**

Measure	Type of Error			Explanation
	Data	Mathematical	Methodology	
Tons of carbon emission reduction by State vehicles (hybrid and low emission vehicles only)	X		X	The methodology used in this calculation used outdated assumptions, inconsistent formulas, and included cars that BGS does not consider to be hybrids or low emission vehicles.
Total hybrid and low emission vehicle cost savings (based on employees using fleet vehicles versus being reimbursed for the use of personal vehicles)	X		X	The support for this calculation included data anomalies and errors. In addition, the methodology for calculating cost did not include the loss or gain associated with cars that are sold. This is particularly important since BGS estimates depreciation cost based on a 6-year life <sup>a</sup> and the average age of the hybrid and low emission vehicles that the fleet service has purchased and disposed of was less than 4 years. Using a depreciable life that exceeds the useful life (4 years) of the vehicle means that BGS is recognizing lower costs in its savings spreadsheet.
Purchasing and Contract Administration's cost avoidance	X	X	X	24 percent of the spreadsheets underlying this calculation had formula or data errors as well as other data anomalies. In addition, it was unclear whether there was a standard methodology used by the purchasing agents in deciding which bids to include in the calculation of savings.
Continuity of Operations Plan progress				No errors.
Comparison of major maintenance dollars spent per square foot of space		X	X	BGS reversed the numerator and denominator in this calculation thereby inverting the results. BGS's methodology also used appropriations rather than actual costs.
Number and type of Building Related Issues reported			X	The number of building related issues reported differed from the number contained in the system BGS uses to track such issues. This system was not used in the calculation.

<sup>a</sup>The State's recommended useful life for cars is 3 years, which is used for cars at other State organizations. BGS's decision to use a 6-year useful life was approved by the Department of Finance and Management although BGS was cautioned that by depreciating at such a rate it was subjecting itself to a "loss on disposal" each time it replaced a vehicle in less than the 6 year period. According to the BGS Deputy Commissioner, the Department chose a 6-year useful life based on the assumption that the cars would be used on average 18,000 miles a year, for a total of 108,000 miles over 6 years. He stated that BGS has not made a final determination of the useful life of these vehicles because the program is still relatively young (it began purchasing vehicles in the 2005 model year). As the BGS program nears maturity, it is important that the Department reconsider whether the estimated useful life of its vehicles used for depreciation purposes reflects its actual disposal practices.

---

The importance of validation can be illustrated by the carbon emission reduction measure. BGS reported that by using hybrid and low emission vehicles in its Fleet Management Service that it reduced greenhouse gas emissions by 1,001.5 tons in fiscal year 2008.<sup>17</sup> This calculation was based on a comparison of estimated emissions from the hybrid and low emission vehicles in the BGS fleet versus U.S. average emissions. However, the methodology used to calculate this number (1) used an assumption based on 2005 data rather than the latest available data (2007) and (2) used different methods to calculate the Fleet's emissions and the U.S. average emissions. In addition, there were data errors and anomalies. For example, there were 21 cars included in this calculation that BGS does not consider to be hybrids or low emission vehicles. We recalculated the fiscal year 2008 emission reduction results using a methodology that included updated assumptions, consistent formulas, and only took into account those cars that BGS considered to be hybrid and low emission vehicles. According to our analysis, the emission reduction results due to the use of hybrid and low emission vehicles would be less than half the amount that BGS reported for fiscal year 2008 (400.2 tons vs. 1,001.5 tons).

There were also significant discrepancies in the fiscal year 2008 mileage numbers reported for the same hybrid and low emission vehicles in the emission reduction spreadsheet and another spreadsheet used to support other BGS Fleet Management Service measures related to these types of vehicles. These discrepancies also call into question the reliability of other results reported by BGS related to the fleet.

Errors such as these can be avoided and data quality improved by the use of robust internal controls. In particular, various validation and verification techniques can be used to provide increased confidence in reported results, such as management review of methodologies, independent review of calculations or spreadsheet formulas, analytical review, comparison of results to other sources, or tests of the underlying detail.

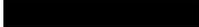
---

<sup>17</sup>Fleet Management Services Fiscal Year 2008 Annual Report (January 2009). There was a placeholder for the fiscal year 2008 emission reduction data in the most recent BGS performance report (an earlier year was reported), but it was blank because, according to a BGS official, the fleet service did not have this data available at the time that the submission for this report was due.

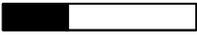
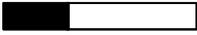
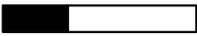
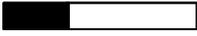
## Usefulness of Performance Report to Legislature Could Be Enhanced

In its most recent performance report, BGS included some, but not all, critical performance measurement information that would allow the Legislature to evaluate whether the Department is achieving its goals. In general, BGS' performance report included certain types of relevant information, such as strategies for achieving planned outcomes, but did not include other critical information needed to understand its results. Table 5 summarizes our analysis of BGS's performance report submitted to the Legislature.<sup>18</sup>

**Table 5: Summary of Practice Results Related to Performance Report to Legislature**

Overall Assessment	No.	Practice Description	Comment <sup>a</sup>
	3.1	As part of performance report(s) to the Legislature, the organization includes one or more goals related to its major programs or operations.	BGS identified goals for various elements of its organization in its performance report. However, the report did not include goals associated with major initiatives to reduce energy consumption and improve environmental conservation in State government. In addition, BGS' goal statements were often vague or described process-oriented activities rather than planned achievements.
	3.2	As part of performance report(s) to the Legislature, the organization includes a description of the strategies that it will be pursuing to meet its goals.	BGS' report to the Legislature includes sections entitled "how we are going to achieve the desired outcomes," which addressed strategies that it plans to employ.
	3.3	As part of performance report(s) to the Legislature, the organization includes measures that are linked to reported goals.	BGS' performance report did not directly and clearly link its goals and measures. In addition, our analysis indicated that over 40 percent of the goals did not have associated performance measures or had placeholders for unspecified measures.
	3.4	As part of performance report(s) to the Legislature, the organization includes a variety of measure types, such as outcome, intermediate outcome, output, and efficiency measures.	BGS had many measures. However, almost half of these measures were output measures, which, by themselves, generally do not demonstrate progress towards the achievement of intended results or the economic use of resources. The types of measures that more effectively demonstrate this type of progress, such as those related to outcomes or efficiency, were generally lacking.

<sup>18</sup>Appendix I provides a description of how we chose these practices and more detail on our evaluation criteria.

Overall Assessment	No.	Practice Description	Comment <sup>a</sup>
	3.5	The goals and measures reported to the Legislature are generally consistent from year-to-year.	There were substantial differences in the goals and measures included in the latest performance report provided to the Legislature and the prior report.
	3.6	As part of performance report(s) to the Legislature, the organization includes future targets for each reported measure.	Although the BGS performance report was part of the Department's fiscal year 2010 budget submission, only one measure included targets for fiscal year 2010 or beyond.
	3.7	As part of performance report(s) to the Legislature, the organization includes a comparison of its prior years' numerical targets to its actual results for each reported measure.	About 10 percent of measures had targets.
	3.8	As part of performance report(s) to the Legislature, the organization incorporates a narrative explanation of its results, including, when applicable, (1) an analysis of why a target was not met and corrective actions being taken and (2) relevant data limitations.	BGS' performance report did not incorporate narrative explanation of its results. In addition, BGS sometimes, but not always, appropriately described data limitations.

<sup>a</sup>BGS did not have a separate internal performance report. Instead, it used the report that it issued to comply with 32 VSA §307(c) as its official performance report. Accordingly, our assessment of some of the reporting practices are the same as those in the goals and measures and targets and actual results tables (table 1 and table 3, respectively).

**Legend:**

-  Fully addressed—The practice was in place.
-  Largely addressed—The elements of the practice were in place more often than not.
-  Somewhat addressed—Less than half of the practice elements were in place or the elements were in place for less than half of the organization's programs or operations.
-  Not addressed—The practice was not in place.

In January 2009, BGS issued its latest performance report to the Legislature to comply with 32 VSA §307(c), which requires that departments submit certain performance information to the General Assembly annually. The prior sections of this report analyzed the goals, measures, targets and actual results contained in this report so the focus of this section is on the extent to which BGS provided contextual information that explained its results. However, the previously discussed weaknesses related to the lack of complete and explicitly linked goals, measures, targets, and actual results reduces the report's usefulness to elected officials because it makes it difficult to judge whether the actual results reported are what should have been expected based on resource levels or whether corrective actions are needed.

On the positive side, for each of its major programs and operations BGS discussed the strategies that it planned to employ to achieve its desired

---

outcomes. For example, for its fleet services, BGS reported that it planned to (1) implement policy and rules promoting the use of the fleet, (2) monitor the use of the fleet versus privately owned vehicles for State business, and (3) use an on-line reservation system and computerized schedule for vehicle maintenance to efficiently manage fleet vehicles. This type of information is important because it links what the organization wants to achieve to specific actions and allows decision-makers to assess the degree to which these planned activities are appropriate and reasonable.

On the other hand, BGS did not provide narratives explaining its results, which would have improved its performance report. Organizations that have studied performance measurement systems emphasize the importance of reporting explanatory information along with quantified results. For example, according to the Governmental Accounting Standards Board, narrative information can provide explanations of the meaning of the performance data, the possible effects of factors that influence results might have on performance, and actions that are being taken, or planned to be taken, to change an organization's performance. In addition, the Urban Institute points out that explanatory information provides the opportunity to explain unexpected or undesired outcomes, thereby lessening the likelihood that data will be misused.

In the interest of keeping a performance report to a reasonable length, it may not be necessary nor desirable to provide detailed narratives for each measure. For example, Texas and the Federal government require explanations when variances between actual and targeted results exceed certain criteria. Nevertheless, without explanations, the reader is less likely to understand, or can even misconstrue, the implications of the results or the cause of unexpected trends. For example, a priority for BGS' fleet management service has been to purchase hybrids and low emission vehicles yet the percentage of miles driven in hybrid and low emission vehicles was lower in fiscal year 2008 than fiscal year 2007 (37 percent versus 42 percent). In another example, BGS reported that total savings related to its Postal Center have been decreasing since fiscal year 2006. Since BGS did not provide explanatory information in its performance report for either of these measures the reader is left to speculate why these results may have occurred.

Additional information on relevant limitations of the actual results would also have benefited the BGS performance report. Data limitations can arise from, for example, the quality, timeliness, or completeness of the data being reported. Without such information the actual results reported can be

---

misleading. For example, BGS reported on the progress in continuity of operations planning at six state agencies.<sup>19</sup> The graphic in the performance report showed that five of six agencies reported were at "100%." However, the report did not include an explanation that this percentage indicates only that BGS has determined that these agencies' master plans contain required elements. This is important because the six agencies do not have approved plans that have been validated and implemented and, in some cases, subordinate organizational units were at a much lower level of completion (in some cases they were at zero). Based solely on the information available in the performance report, the reader could reasonably reach an erroneous conclusion as to the status of business continuity planning in the State.

The BGS Deputy Commissioner and several program officials described the Department's performance measurement system and performance report as a work in process. As it moves forward in the development of its performance measurement system, BGS might consider how adding explanations in its report would help legislators understand its results and provide a more useful document.

---

## Conclusions

BGS' performance measurement system is not yet mature and reliable. Because performance measurement is critical to being able to assess whether intended results are being achieved, it is important that BGS address the weaknesses in its performance measurement system. This is particularly crucial in these times of economic uncertainty when lawmakers and the public want assurance that taxpayers monies are being spent wisely. BGS management and program officials have emphasized that their current system is a work in process. As part of its effort to improve and mature its performance measurement system, BGS could benefit from taking a more strategic approach. This type of approach would provide the Department with a strong foundation for its performance measurement decisions, such as well thought out and linked goals, measures, and targets. In addition, more structured and disciplined processes related to the documentation of sources,

---

<sup>19</sup>A continuity of operations plan is a detailed emergency plan that, beginning at the lowest business unit and rolling up to the agency/department level, outlines the specific steps necessary to carry out the business unit/agency/department's plan for maintaining services in the event of an emergency. 29 VSA §171(e) places the responsibility for such plans on the BGS Commissioner. BGS Policy 24 requires every agency/department to develop detailed continuity of operations plans and lays out the minimum areas that it must address.

---

methods, and validation of actual results would provide more confidence in the reliability of the actual data that is reported. Lastly, by providing explanations of its results and relevant data limitations, BGS would greatly enhance the usability and usefulness of its performance report to the Legislature.

---

## Recommendations

We recommend that the Commissioner of the Department of Buildings and General Services:

- Initiate a BGS-wide strategic planning process that (1) takes into account BGS' major plans and initiatives, (2) provides guidance on performance measurement, and (3) revisits the department's current goals and measures to make them more outcome and efficiency-oriented and includes a focus on obtaining feedback from customers as to their satisfaction with the quality and timeliness of the services provided.
- Develop, document, and periodically update a strategic plan.
- Establish a set of common measures to be used and reported on by the three regions that make up BGS' Facilities Operations Division.
- Establish numerical targets for all measures, taking into consideration whether benchmarks from authoritative outside sources could be used to give a more complete picture of BGS' achievements.
- Compare actual results to numerical targets on at least an annual basis.
- Require that the sources and methods used to develop actual performance results be documented and validated.
- Correct the identified methodology errors in the measures that we reviewed or change the title and/or description of the measures to more accurately reflect the actual results being collected and reported.
- Include in its performance reports to the Legislature (1) explicit links between goals, measures, targets, and actual results, (2) narrative explanations of results and, if applicable, corrective actions that are planned if targets were not met, and (3) data limitations, when applicable.

---

## Management's Response and Our Evaluation

On June 17, 2009, the Commissioner of BGS provided written comments on a draft of this report (reprinted in Appendix II). The Commissioner indicated that BGS agreed with the spirit of the report and generally indicated that the Department planned to implement or consider our recommendations.

The Commissioner also noted that the report (1) was useful as a tool, but that a significant culture change in State government would be needed for it to have a lasting or real impact on policy making and BGS' ability to execute policy and (2) introduced a different approach to management and decision making within State government that has not yet been endorsed and could take considerable time and money to implement. The Commissioner may be correct in his assessment of the State's current approach and capacity to implement effective performance measurement systems. However, it should be noted that the Legislature began requiring State organizations to report performance information about 15 years ago so performance measurement should not be considered a new requirement or concept in State government.

BGS also made three general comments in its written response.

- *Legislative direction.* BGS stated that there has been no direction or instructions from the Legislature on what is expected or desired in the area of performance measurement other than what is outlined in 32 VSA §307(c). We agree that the views and preferences of the Legislature are an important consideration in the development of a performance measurement system. However, the Legislature is only one party that has an important stake in BGS' performance measurement system. Other key parties include the leadership of BGS and its parent agency (the Agency of Administration), program managers, and external stakeholders, such as BGS customers and the general public (from both a services and accountability of resources viewpoint). BGS' management challenge is to identify and reconcile the information needs of these various parties and to develop a performance measurement system that effectively and efficiently meets these needs while ensuring that the data provided is reliable and accurately explained.
- *Emphasis on the Governor's energy initiatives.* BGS stated that the report places an inordinate emphasis on BGS' compliance with the Governor's energy initiatives to the detriment of acknowledging the myriad of statutorily required activities performed continually by a very large and very diverse department. We disagree. First, we took into account BGS' other activities in practices 1.1 and 1.2 (having goals that describe what it

---

is seeking to achieve and having goals and major programs/operations that are aligned, respectively), both of which we assessed BGS as having largely addressed.<sup>20</sup> Second, we emphasized that BGS' performance reports did not include goals associated with energy consumption reduction and environmental conservation improvement precisely because they were Gubernatorial initiatives, which we deemed to be an indicator of their importance.

- *Peer review.* BGS commented that the practices used in this report did not undergo a peer review. BGS went on to cite a footnote related to peer review in a paragraph describing our compliance with generally accepted government auditing standards.<sup>21</sup> BGS stated that without a peer review that there may not be agreement as to the validity of the practices used in the report. It appears that BGS misunderstood our peer review footnote. The peer review mentioned in the footnote is a specific type of review performed by an external organization of (1) our quality control policies and procedures, (2) the adequacy and results of our internal monitoring procedures, (3) selected reports and documentation, and (4) other documents necessary for assessing compliance with auditing standards. The scope of such a peer review would not encompass looking at the validity of specific performance measurement practices. In 2007 we underwent a peer review of our financial audits and received an unqualified opinion.<sup>22</sup> We recently shifted the audit emphasis in our organization towards performance audits<sup>23</sup> and have not yet undergone a peer review of these types of audits, which are required by auditing standards to be conducted every three years.

BGS also opined that departments should have had the opportunity to comment on the validity of the practices before being judged against them. First, we note that BGS was provided with a copy of the practices in the early stages of the audit. Second, the practices used in our review are not intended to be a comprehensive set of performance measurement

---

<sup>20</sup>See Table 1 on page 9.

<sup>21</sup>Contained in Appendix I, Scope and Methodology.

<sup>22</sup>Our web site, <http://auditor.vermont.gov>, includes a copy of our peer review report.

<sup>23</sup>Performance audits are defined by generally accepted government auditing standards as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria. Such audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

---

requirements, which is management's prerogative to develop. However, Vermont State government does not have such a set of requirements so we developed these practices in order to have a consistent means to evaluate the myriad of performance measurement systems used by various State organizations. These practices were based on approaches commonly recommended by a wide variety of organizations that have implemented or researched performance measurement. Appendix I provides information on the research that formed the basis for the practices as well as the basis for our decisions on which practices to use.

Lastly, BGS' response provided comments related to specific sections of the report. We addressed these detailed comments in Appendix II, as needed.

- - - - -

In accordance with 32 VSA §163, we are also providing copies of this report to the Secretary of the Agency of Administration, Commissioner of the Department of Finance and Management, and the Department of Libraries. In addition, the report will be made available at no charge on the State Auditor's web site, <http://auditor.vermont.gov/>.

---

# Appendix I

---

## Scope and Methodology

---

To address our objectives we reviewed the State's statutory requirement related to performance measurement [32 VSA §307(c)] and the State's most recent guidance related to this statute. In addition, we identified and reviewed a wide variety of guidance and research related to performance measurement in governmental entities that was published by (1) the Federal government (i.e., the Government Accountability Office and the Office of Management and Budget), (2) States that are acknowledged leaders in performance measurement (e.g., Texas, Utah, Virginia, and Washington), and (3) research organizations and others who have studied performance measurement (e.g., the Governmental Accounting Standards Board, the Government Finance Officers Association, the Council of State Governments, the Urban Institute, and the National Academy of Public Administration).

Using these sources we identified 21 practices to evaluate performance measurement at BGS. These 21 practices are some of the elements of a well-rounded performance measurement system identified by these sources. We chose those practices that were related to our objectives, required by statute, cited by multiple sources as recommended elements of a performance measurement system, and were verifiable through documentation and interviews.

Using the 21 practices as the basis for our audit, we

- identified and reviewed pertinent statutes and Executive Orders outlining BGS' responsibilities;
- reviewed and assessed BGS' most recent performance report;
- reviewed other major BGS plans and performance documents, such as the Vermont State Agency Energy Plan for State Government, the Comprehensive Environmental & Resource Management Program, and various internal BGS presentations related to the performance of its programs;
- interviewed the Deputy Commissioner, Directors of major BGS organizational units, and other applicable BGS staff;
- obtained and reviewed supporting documentation related to goals, measures, and actual results pertaining to certain major programs and operations (primarily facilities operations, fleet management services, security, and purchasing).

---

# Appendix I

## Scope and Methodology

---

We also researched goals and measures used by other organizations in other States and the Federal government with similar programs and missions.

After completing our analysis, we evaluated BGS against each of the practices using the following evaluation criteria:

- Fully addressed—The practice was in place.
- Largely addressed—The elements of the practice were in place more often than not.<sup>24</sup>
- Somewhat addressed—Less than half of the practice elements were in place or the elements were in place for less than half of the organization’s programs or operations.
- Not addressed—The practice was not in place.

We considered internal controls and information systems only to the limited extent to which they were related to our objectives. For example, we did not attempt to validate the actual performance results reported by BGS.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the standard that requires that our system of quality control for performance audits undergo a peer review every three years.<sup>25</sup> Those standards require that we plan and perform the audit to

---

<sup>24</sup>These categories include cases that (1) based on inquiry of organization officials, the practice appears to be in place, but supporting documentation was lacking or was in draft form or (2) the organization had documentation supporting that the practice was in place, but other evidence indicated that it had not been completely or consistently implemented. In such cases, the decision as to whether the organization had largely addressed or somewhat addressed a practice was based on the extent to which the elements of the practice had been adopted.

<sup>25</sup>Because of fiscal considerations, we have opted to postpone the peer review of our performance audits until 2011.

---

## **Appendix I**

### **Scope and Methodology**

---

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

## Appendix II

# Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments

---



Department of Buildings & General Services  
Office of the Commissioner  
2 Governor Aiken Ave.  
Montpelier, VT 05633

[phone] 802-828-3519  
[fax] 802-828-3533

Agency of Administration

June 17, 2009

Thomas M. Salmon, CPA  
State Auditor  
132 State Street  
Montpelier, VT 05633-5101



Dear Tom:

Thank you for the review of the Department of Buildings & General Services' (BGS) performance measurement systems and the report entitled *Department of Buildings and General Services: Performance Measurement System Could Be Improved*. Please find attached the formal and detailed response to the report, its findings, and recommendations.

We agree with the spirit of your report as discussed in the exit interview. However, as discussed, while the report is useful in the context of a tool to be used to constructively improve BGS's processes, performance, and measurements of performance, there needs to be a significant change in the culture of state government, from the Legislature on down, to have any lasting or real impact on policy making and our ability to execute policy.

32 VSA 307 (c) outlines expectations for departments and agencies when presenting their annual budget requests to the Legislature. While a good place to start, we agree that a valid performance measurement system must go beyond these requirements to link strategic planning at the highest levels to specific measurable goals and objectives at the lowest levels down to the individual program.

With this said, you must understand that the entire audit process introduces a totally different approach to management and decision making within state government which has not yet been endorsed. Experience shows that a shift of this nature costs considerable time and money to implement. Given the current economic environment, a buy-in must happen by everyone before any expenditure of shrinking resources can take place to further develop such a performance measurement system.

Again, we appreciate your work on this important issue of performance measurement systems.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Myers".

Gerald J. Myers  
Commissioner

CC: Secretary of Administration  
Commissioner of Finance



---

## Appendix II

### Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments

---

Note: SAO comments supplementing the section of the report entitled Management's Response and Our Evaluation appear at the end of this appendix.

Response of the Department of Buildings and General Services  
To the report of the Vermont State Auditor on Department of  
Buildings and General Services Performance measurement System  
Could Be Improved

General Comments:

1. There have been no directions or instructions from the Legislature on what is expected or desired in the area of performance measures beyond what is outlined in 32 VSA 307 (c).
2. The report places an inordinate emphasis on compliance of BGS with the Governor's energy initiatives to the detriment of acknowledging the myriad of statutorily required activities performed continually by this very large and very diverse department.
3. The practices used as benchmarks by the Auditor have not gone through peer review. Departments should be afforded the opportunity to comment on the validity of these benchmarks before being judged by them.

Report Specific Comments:

See comment 2.

Introduction: Page 2: The report provides only a partial listing of services provided to the rest of State Government. Comment: List all of the services provided by BGS so the reader gains appreciation for the scope and diversity of the services provided.

See comment 3.

Page 2: Footnote: The Auditor's Office has chosen to postpone peer review of their performance audits until 2011 due to fiscal constraints. Comment: Without peer review there may not be agreement as to the validity of the benchmark practices resulting in confusion and wasted effort through false starts by departments.

See comment 4.

Page 3: Goals and Measures were not developed within a formal planning process. Comment: The lack of a formal process does not limit the usefulness of the goals and measurements per se. They should be evaluated on merit.

See comment 5.

Page 6: BGS FY 2008 Funding: The Auditor reports BGS had a budget of about \$47 million. Comment: The appropriations for BGS operations totaled about \$43 million. Additionally, BGS was appropriated nearly \$24 million from the capital bill. BGS spending in FY 2008 was close to \$117 million as much of the departmental spending is expended in the demand driven portions of the internal service funded programs.

See comment 6.

Page 8: Formal strategic planning process: The Auditor reports that BGS's goals and measures were not established within a formal strategic planning process. Comment: BGS did engage in a process to develop the goals and measures. BGS is not aware of the definition of a formal planning process nor is BGS aware of a requirement to use such a process.

---

## Appendix II

### Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments

---

See comment 6.	<p>Page 8: “did not explicitly link its goals and measures and did not have a mix of measures that would have provided a multifaceted perspective on the Department’s performance”: Comment: BGS goals and measures are explicitly tied into each program’s mission.</p> <p>Page 10: “BGS did not utilize a formal and systematic strategic planning process”: Comment: BGS did meet with the Commissioner as a group where expectations and instructions were imparted to the senior staff. Again, BGS is not aware of the definition of formal planning process or the requirement to use one.</p>
See comment 7.	<p>Page 19: Table and Footnote on Vehicle Useful Life: The Auditor reports that the State recommends useful life for cars to be three years. Comment: The State does not make a recommendation. It allows multiple profiles. BGS uses six years. Other departments use three years. BGS has surveyed other states and found that six years is not inconsistent. Iowa and Delaware use six years. North Dakota uses five years. Alaska uses seven years. Asset profiles loaded into VISION when the system was established were the IRS asset profiles from IRS Publication 946. In this publication, vehicles have a 3 year useful life but have a MACRS and ADS recovery period of 5 years. Beyond IRS rules, it is most appropriate to use the <i>Economic Life</i> of an asset for the recovery period. BGS agrees that all departments should review the useful lives of their assets especially in light of their asset disposal practices. When IFRS is implemented and eventually applied to governmental accounting, an annual review and reestablishment of an asset’s useful life, on an annual basis, will be required.</p>
See comment 8.	<p>Response to Recommendations:</p> <p>1. <i>Initiate a BGS-wide strategic planning process that (1) take’s into account BGS’ major plans and initiatives, (2) provides guidance on performance measurement, and (3) revisits the department’s current goals and measures to make them more outcome and efficiency-oriented and includes a focus on obtaining feedback from customers as to their satisfaction with the quality and timeliness of the services provided.</i></p> <p>Response: BGS fully intends to continue its work with performance measurement. Goals and measures will be reviewed for their relevance and data for its accuracy. BGS currently collects customer satisfaction surveys for various programs though responses to the survey requests can be sporadic.</p> <p>Status: Planning sessions have already been scheduled.</p> <p>2. <i>Develop, document and periodically update a strategic plan.</i></p>

---

## Appendix II

### Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments

---

Response: BGS acknowledges the need for a written strategic plan and will develop one but cautions the plan needs direction from the Legislature to be both valid and consistent with State-wide goals and objectives.

Status: Planning meetings have been scheduled with senior staff.

*3. Establish a set of common measures to be used and reported on by the three regions that make up BGS' Facilities Operations Division.*

Response: BGS agrees.

Status: Planning sessions have already been scheduled.

*4. Establish numerical targets for all measures, taking into consideration whether benchmarks from authoritative outside sources could be used to give a more complete picture of BGS' achievements.*

Response: BGS will review targets for all measures. BGS reserves the right to determine whether numerical targets work in all cases and reserves the right to determine whether benchmarks from authoritative sources work for BGS specific programs.

Status: BGS will review at planning sessions in the next few months especially as the department prepares to draft 32 VSA 307 (c) submissions for FY 2011.

*5. Compare actual results to numerical targets on at least an annual basis.*

Response: Results will be compared to targets in the 32 VSA\_307 (c) submission for FY 2010. This review will be at least on an annual basis, if not more frequently.

Status: Any comparison will be at least over 1 year away as the new fiscal year has not yet begun.

*6. Require that the sources and methods used to develop actual performance results be documented and validated.*

Response: We are in agreement that we should document and validate our results for consistency and continuity purposes.

Status: In process.

*7. Correct the identified methodology errors in measures that we reviewed.*

Response: Errors discovered during the course of the review as a result of faulty methodology are required to be reviewed and corrected if the program manager agrees with the auditor's assertion that the methodology was faulty.

See comment 9.

---

## Appendix II

### Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments

---

Status; In process.

*8. Include in its performance reports to the Legislature (1) explicit links between goals, measures, targets and actual results, (2) narrative explanations of results and, if applicable, corrective actions that are planned if targets are not met, and (3) data limitations, when applicable.*

Response: BGS will review its current 32 VSA 307 (c) presentation and will evaluate each of the items listed above in light the very specific requirements outlined by the General Assembly and incorporate any of the specific recommendations it deems appropriated.

Status: FY 2011 32 VSA 307 (c) submission will be drafted later in the fall of calendar year 2009.

---

## Appendix II

### Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments

---

The following are our comments on selected remarks made by the Commissioner:

- Comment 1. See Management's Response and Our Evaluation section of the report.
- Comment 2: Additional information on BGS operations can be found at <http://bgs.vermont.gov/>.
- Comment 3. See Management's Response and Our Evaluation section of the report.
- Comment 4. As indicated in the report, we evaluated BGS' goals and measures and found that there was significant room for improvement. In particular, we found (1) significant initiatives that were not covered by goals, (2) goals that were vague and process-oriented, and (3) a substantial percentage of goals that did not have associated measures. Such deficiencies could have been avoided had BGS employed a disciplined and documented strategic planning process.
- Comment 5. The documentation that BGS provided in support of its spending figure showed that the Department had about \$102 million in net expenditures in fiscal year 2008. We changed the report to reflect this amount.
- Comment 6. As indicated in the report, BGS' strategic planning process was very limited and was based on verbal instructions. For example, program directors developed performance measurement information with their staffs without the benefit of written instructions or other guidance regarding a desired or required approach or framework. In addition, based on interviews with BGS directors and managers, while there were some interactions among the various BGS program areas related to the development of goals and measures, such interactions appeared to have been limited. We defined strategic planning in the Background section of the report (page 6), which we adopted from the Government Finance Officers Association.
- Comment 7. Our main point in this section of the report is that the methodology BGS used to calculate the annual cost associated with the Fleet's hybrid and low emission vehicles did not include the loss or gain associated with cars that were sold. A loss is more likely if the book value of a vehicle is overstated

---

## Appendix II

### Reprint of the Commissioner of the Department of Buildings and General Services Response and Our Comments

---

compared to the vehicle's fair value at the time of disposal. In the case of BGS, book value may be overstated at the time of disposal because the Department was using an estimated useful life of 6 years in its depreciation calculation, but the average age of the hybrids and low emission vehicles that the Department had purchased and disposed of was less than 4 years.

Regarding BGS's comments on the State's depreciation policy, the State's depreciation guidelines states that the recommended useful life for automobiles is 3 years. Nevertheless, BGS obtained agreement from the Department of Finance and Management to utilize a useful life of 6 years. We added this information to the report to provide additional context and background on the depreciation decision.

- Comment 8. BGS may collect customer satisfaction surveys, however, as stated in our report, BGS's performance report did not include any customer satisfaction measures.
- Comment 9. We clarified this recommendation to reflect that an alternative to changing a faulty methodology is to change the title and/or description of the measure to more accurately reflect the actual results being collected and reported. For example, one BGS measure was a comparison of major maintenance dollars spent per square foot of space, but BGS calculated this number based on appropriations rather than expenditures. If BGS chooses not to change this methodology, it should change the title of the measure to accurately reflect the calculation being performed.