

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Public Service: Analysis of Program Authority and Performance Data

May 1997



Performance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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Daniel G. Kyle, Ph.D., CPA, CFE

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**Performance Audit
Office of Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

May 28, 1997

The Honorable Randy L. Ewing,
President of the Senate
The Honorable H. B. "Hunt" Downer, Jr.,
Speaker of the House of Representatives
and
Members of the Legislative Audit Advisory Council

Dear Legislators:

This report gives the results of our performance audit of the Program Authority and Performance Data of the Department of Public Service and its related commission. The audit was conducted under provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. In addition, this audit is one step toward meeting requirements of the Louisiana Performance Audit Program (Louisiana Revised Statute 24:522).

The report represents our findings, conclusions, and recommendations. We have also identified matters for legislative consideration. Appendix B contains the Department of Public Service's response. Appendix C contains the Office of Planning and Budget's response. I trust that this report will be of use to you in your legislative decision-making process.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK/jl

(PUBLIC SERVICE)



Office of Legislative Auditor

Executive Summary

Department of Public Service: Analysis of Program Authority and Performance Data

The Department of Public Service regulates common carriers and public utilities operating in Louisiana. The department is divided into four programs and has 107 authorized positions and an annual operating budget of approximately \$5.3 million. In this audit, we reviewed and analyzed the department's program information in the 1996-97 executive budget. We found that:

- ♦ The department and program missions included in the executive budget reflect the intent of the legislature as portrayed in underlying law.
- ♦ The programs and major functions within the department do not appear to be duplicative or overlapping. The regulation of rates and services of certain intrastate motor carriers, however, may be outmoded.
- ♦ The performance information in the executive budget could be made more useful to legislators and others for decision-making purposes. Some mission statements do not comprehensively identify major program functions or clients. There are no clearly identifiable goals for any of the programs. None of the program objectives are measurable or time-bound, and six out of seven do not specify desired end results. The performance indicators do not provide sufficient useful information about the programs' performance.
- ♦ Before this audit, the Department of Public Service had not engaged in a formal strategic planning process. The lack of formal strategic planning may explain some of the deficiencies found in the Department of Public Service performance data.

*Daniel G. Kyle, Ph.D., CPA, CFE, Legislative Auditor
Phone No. (504) 339-3800*

Audit Initiation and Objectives

The Office of the Legislative Auditor conducted this performance audit of the executive budget program information for the Department of Public Service in response to certain requirements of Act 1100 of 1995. This act amended the state audit law by adding Louisiana Revised Statute 24:522, which created the Louisiana Performance Audit Program. Although the legislative auditor has been conducting performance audits since 1986, Louisiana Revised Statute 24:522 formalizes an overall performance audit program for the state. In addition to finding solutions to present fiscal problems, the legislature created the Performance Audit Program to identify and plan for the state's long-term needs.

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- ♦ Determine if the department's missions and goals as reported in the fiscal year 1996-97 executive budget are consistent with legislative intent and legal authority
- ♦ Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget are consistent with established criteria
- ♦ Determine if the department's objectives and performance indicators as reported in the fiscal year 1996-97 executive budget collectively provide useful information for decision-making purposes
- ♦ Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded

**Department
Overview**

The Public Service Commission consists of five commissioners elected from districts across the state. The 1974 Louisiana Constitution directs the Public Service Commission to regulate all common carriers and public utilities operating in the state. The Department of Public Service was created in 1977 and charged with performing the functions of the Public Service Commission. The law establishing the department also provides that the Public Service Commission shall serve as the executive head of the department. For budgetary purposes, the Department of Public Service is divided into four programs. For the 1997 fiscal year, the department has a total of 107 authorized positions and an operating budget of approximately \$5.3 million.

(See page 17 of the report.)

**Missions Are
Consistent
With
Law**

We reviewed federal laws, the state constitution, and state statutes governing the Department of Public Service and the Public Service Commission. We found that all missions included in the 1996-97 executive budget are generally consistent with legislative intent. That is, the missions reflect the intent of the legislature as portrayed in underlying law. Therefore, users of the executive budget can be assured that the major program functions included in the executive budget are grounded in state law.

There are no explicit mission statements for the Public Service Commission, the Department of Public Service, or department programs in state or federal law. Instead, the constitutional and statutory provisions generally describe major functions of the Public Service Commission and the Department of Public Service as a whole and do not refer to specific programs. State law requires that the Public Service Commission regulate companies so that rates charged and service provided are fair and reasonable.

(See page 23 of the report.)

**Overlapping,
Duplicative, and
Outmoded
Functions**

In our review of program information, performance data, and authorizing laws, we did not identify any overlap or duplication of the Department of Public Service programs or major functions. Thus, there do not appear to be any programs or major functions that use funds for the same or similar purposes. One aspect of the Motor Carrier Registration Program, however, may be outmoded.

The Public Service Commission, through the Motor Carrier Registration Program, currently regulates the rates and service levels of intrastate motor carriers of household goods, waste, and passengers. At least eight other states and the District of Columbia do not regulate these aspects of intrastate motor carriers. One other state plans to cease such regulation in July 1997. Competition within the intrastate motor carrier industry, rather than regulation, should ensure fair and reasonable rates and service levels. If this function is outmoded, it may mean that the Department of Public Service is using more resources than necessary.

(See pages 23 and 24 of the report.)

Matter for Legislative Consideration

- 2.1 The legislature may wish to consider amending Louisiana Revised Statute 45:163 to remove economic regulation of intrastate motor carriers of household goods, waste, and passengers from the Public Service Commission's purview.

**No
Strategic
Planning**

The Department of Public Service developed performance data for possible inclusion in the 1996-97 executive budget without using formal strategic planning. Strategic planning is a process that sets goals and objectives for the future and develops strategies for achieving those goals and objectives, with an emphasis on how best to use resources. The lack of formal strategic planning may explain some of the deficiencies found in the Department of Public Service performance data.

(See page 30 of the report.)

Recommendation

- 3.1 The Department of Public Service should continue its plans to implement a formal strategic planning process. Because of recent changes in federal law and technology, now would be an opportune time to start planning with an emphasis on the future. In addition to developing a plan for the immediate future, the process should include provisions to review and update the plan on a regular basis.

Analysis of Performance Data

We analyzed the performance data presented in the program information volume of the 1996-97 executive budget for the Department of Public Service and the Public Service Commission. We evaluated all missions, objectives, and performance indicators for each of the four Department of Public Service programs listed in the executive budget. (There are no goals presented in the executive budget.) Our evaluation considered whether the executive budget provides useful information to enable legislators or other readers to understand each program and make related budgetary decisions.

We also evaluated the missions, objectives, and performance indicators against a set of core criteria. We consulted with various experts and used *Manageware*, a publication of the Division of Administration's Office of Planning and Budget, to develop these criteria. The results of our analysis are described below.

(See page 28 of the report.)

Mission Statements. The overall mission reported in the executive budget for the Public Service Commission conveys the purpose and identifies the customers of the department. Department personnel appear to understand the mission and agree with it. The statement is also consistent with the purpose of the Public Service Commission as stipulated in the state constitution. Thus, the mission statement helps promote understanding about the common purpose and clientele of the Department of Public Service.

(See page 31 of the report.)

We found that the missions for the individual programs, however, lack critical elements, making them less useful. One program (the Utilities Program) does not have a clearly identifiable mission. The missions for the other three programs do not fully identify major clients or customers. As a result, these missions may not provide sufficient information to users of the executive budget about the customers the programs are intended to serve.

Also, the missions for two programs do not include all major functions performed by the programs. The interstate motor carrier registration function is not included in the Motor Carrier Registration Program mission statement. The Rates, Economics, and Auditing Program mission does not include prudence reviews and management audits. To help users of the executive budget fully understand the breadth of activities undertaken by the programs, the missions should be comprehensive in scope.

(See pages 32, 40, 44 and 48 of the report.)

Recommendation

- 3.2 The Department of Public Service and the Office of Planning and Budget should work together to revise and/or expand the mission statements for the Administrative Program, the Motor Carrier Registration Program, and the Rates, Economics, and Auditing Program. If it is deemed desirable to assign a mission to each program, they should also develop a mission statement for the Utilities Program. All missions should make a clear distinction between the Department of Public Service and the Public Service Commission where necessary. These missions should be reported as part of the performance data in future editions of the executive budget. Specific areas needing attention are as follows:

- ♦ For the Administrative Program, regulated companies and the companies' customers should be added to the mission to reflect the customers of the district offices. However, if the district offices' function is removed from the Administrative Program and placed in a new program, a mission should be created for this new program instead.
- ♦ For the Motor Carrier Registration Program, information about the interstate motor carrier registration aspect of the program, desired outcome of regulation, and explicitly identified clients and customers should be added to the mission.
- ♦ For the Rates, Economics, and Auditing Program, the mission should correspond to the enabling legislation and other major program activities mentioned by the chief economist. It should explicitly include regulated companies, customers of regulated companies, and the general public as program customers and clients.
- ♦ The newly developed mission for the Utilities Program should be consistent with the overall Department of Public Service mission and should comprehensively include the program's purpose and clientele.

Goals. There are no clearly identifiable goals in the executive budget for any of the Department of Public Service programs. Goals clarify missions and signal the direction in which a program is attempting to move. Without goals, users of the executive budget may not understand the destination towards which programs are striving. Thus, the legislature is being asked to appropriate funds for programs without being told the overall direction of the programs.

(See pages 34, 40, 45 and 49 of the report.)

Recommendation

- 3.3** The Department of Public Service and the Office of Planning and Budget staff should work together to develop goals for all four programs. The goals should be consistent with the program missions, provide a sense of direction on how to address the missions, and reflect the destinations toward which the programs are striving. Including information in the executive budget that shows where program managers are placing emphasis should help legislators make informed budget decisions.

Objectives. There are a total of seven objectives for the Department of Public Service programs in the 1996-97 executive budget. None of the objectives refer to a quantified target level of performance. The objectives also do not specify a time frame over which the programs are to attain certain levels of performance. Only one objective specifies desired end results. The others do not provide specific expectations against which to measure program performance. Without specific, measurable, time-bound objectives, legislators cannot determine what the programs intend to achieve within a stated time frame.

(See pages 34, 40, 45 and 49 of the report.)

Recommendation

- 3.4** The Department of Public Service and the Office of Planning and Budget staff should work together to develop specific, measurable, and time-bound objectives for all four programs. The objectives should be consistent with the newly developed goals. Doing this will provide benchmarks against which users of the executive budget can measure program results.

Performance Indicators. In general, the performance indicators reported in the executive budget do not provide useful information about the programs' performance. There are a total of 60 indicators for the Department of Public Service in the 1996-97 executive budget. All but one of these indicators is an output measure. The remaining indicator is an input. There are no efficiency, outcome, or quality type indicators. Thus, the executive budget does not provide information about the cost-effectiveness, impact, or quality of the Department of Public Service programs. *Manageware* and the Governmental Accounting Standards Board stress the need for a balanced mix of indicator types.

In addition, it appears that no distinction has been made as to which performance indicators should be maintained internally and which should be reported externally. There are no indicators reported for certain program functions that may be of interest to legislators or other users of the executive budget. In contrast, several indicators of limited usefulness to outsiders are reported.

Finally, the executive budget only reports performance indicator data for past fiscal years. No indicators are reported for the current or the projected fiscal years. This precludes users of the executive budget from understanding what a program is doing with current resources and what it plans to accomplish with resources requested for the projected year.

(See pages 35, 41, 46 and 50 of the report.)

Recommendation

- 3.5** The Department of Public Service and the Office of Planning and Budget should work together to develop a balanced mix of the various types of performance indicators for each of the four programs. In addition, indicators should be developed and reported for the current as well as the projected year. Explanatory information should also be included where appropriate. Providing a balanced mix of indicators should help improve accountability by showing what the program has accomplished with past resources, what it is accomplishing with current resources, and what it

plans to accomplish with resources requested for the projected year. The performance indicators should also be easy to understand and free of jargon.

- 3.6** The Department of Public Service and the Office of Planning and Budget staff should work together to determine which performance data is useful to legislators and other users of the executive budget and which is better suited for internal use. Only that which is useful for budgetary decision making should be included in the executive budget.

Because of these deficiencies in the performance data, the legislature and other users of the executive budget may not have sufficient information on which to judge overall performance of the department or of the individual programs. This lack of useful information may also hamper budgetary decision making.

Chapter One: Introduction

Audit Initiation and Objectives

The Office of the Legislative Auditor conducted this performance audit of the executive budget program information for the Department of Public Service (DPS) in response to certain requirements of Act 1100 of 1995. This act amended the state audit law by adding Louisiana Revised Statute (R.S.) 24:522, which created the Louisiana Performance Audit Program. Although the legislative auditor has been conducting performance audits since 1986, R.S. 24:522 formalizes an overall performance audit program for the state. In addition to finding solutions to present fiscal problems, the legislature created the Performance Audit Program to identify and plan for the state's long-term needs.

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- ♦ Determine if the department's missions and goals as reported in the fiscal year 1996-97 executive budget are consistent with legislative intent and legal authority
- ♦ Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget are consistent with established criteria
- ♦ Determine if the department's objectives and performance indicators as reported in the fiscal year 1996-97 executive budget collectively provide useful information for decision-making purposes
- ♦ Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded

Report Conclusions

DPS regulates common carriers and public utilities operating in Louisiana. For budgetary purposes, the department is divided into four programs. DPS has 107 authorized positions and an annual operating budget of approximately \$5.3 million.

The missions included in the 1996-97 executive budget reflect the intent of the legislature as portrayed in underlying law. We did not identify any programs or major functions within DPS that appear to be duplicative or overlapping. However, the regulation of rates and services of certain intrastate motor carriers may be outmoded.

Before the time of this audit, DPS had not engaged in a formal strategic planning process. This lack of strategic planning may explain why we found deficiencies in the performance data reported in the fiscal year 1996-97 executive budget. For instance, although the overall mission for the commission provides useful information, the missions for the individual programs within the department lack critical elements. There are no clearly identifiable goals for any of the programs, and none of the objectives are measurable or timebound. We also noted deficiencies in the programs' performance indicators. As a result, users of the executive budget may not fully understand the purposes and customers of the programs, what the programs are supposed to do, what the targeted accomplishments for the programs are, and whether or not the programs meet those targets.

Accountability Initiatives

Article XIV, Section 6 of the 1974 Louisiana Constitution reorganized the executive branch into 20 departments. State law says that the structure of the executive branch of state government is to, in part, promote economy and efficiency in the operation and management of state government. Since the reorganization, additional efforts have been undertaken to eliminate duplicative, overlapping, and outmoded programs and activities. Some of these efforts require internal reviews of programs, policies, and services of state agencies while others provide for external reviews.

R.S. 24:522 requires the legislative auditor to annually make recommendations to the legislature relative, in part, to the effectiveness and efficiency of programs and services that the various state agencies provide. In particular, it directs the auditor to evaluate the basic assumptions underlying all state agencies, programs and services to assist the legislature in identifying those that are vital to the best interests of the people of Louisiana and those that no longer meet that goal. The act also requires state agencies to produce certain information during the budgetary process.

In July 1996, the Office of the Legislative Auditor issued a report that examined the performance and progress of Louisiana state government. That report followed up on all recommendations made in performance audits and staff studies issued by the legislative auditor during the previous three years. In that report, we tracked the progress of agencies in implementing recommendations contained in the performance studies and identified related legislation. We also identified a number of problem areas in state government including inadequate oversight and inadequate planning.

As part of our continuing efforts to meet the requirements of R.S. 24:522, we have issued this report that examines the legal authority for DPS's programs and services. This report also examines the program information contained in the fiscal year 1996-97 executive budget and builds on the need for better planning. As previously mentioned, similar performance audit reports are to be issued on all other executive branch departments.

State law (R.S. 49:190, *et seq.*) also requires agencies to provide the legislature with certain information to justify their continued existence. This is referred to as the sunset review process. This process allows the legislature an opportunity and mechanism to evaluate the operations of state statutory entities.

State law also requires an annual report by department undersecretaries on their department management and program analysis. These reports, required by the provisions of R.S. 36:8, are referred to as Act 160 reports, since Act 160 of 1982 originally enacted this law. This law requires agencies to conduct evaluations and analyses of programs, operations, and policies to improve the efficiency, economy, and effectiveness of the departments.

Other performance legislation includes an accountability act for colleges and universities. Also, various agency performance related reports are required to be submitted with the agency budget request. One of these reports is referred to as the "Sunset Review Budget Request Supplement."

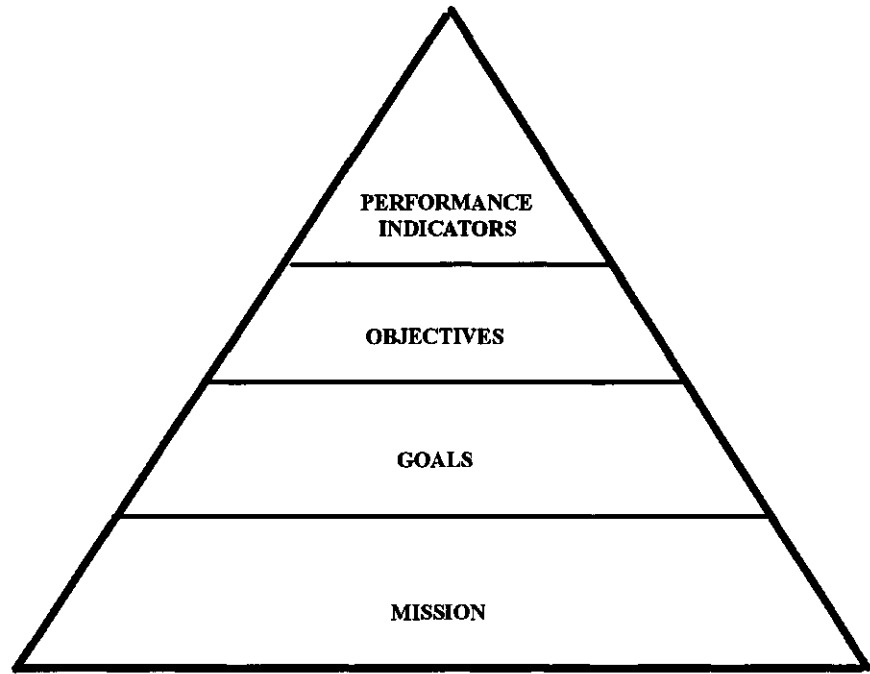
**Program
Budgeting and
Strategic Planning
Focus on
Outcomes**

Act 814 of the 1987 Regular Legislative Session required the state to adopt a program budgeting system beginning in fiscal year 1988-89. R.S. 39:36 requires the executive budget to be in a format that clearly presents and highlights the programs operated by state government. According to *Manageware*, a publication of the Division of Administration's Office of Planning and Budget (OPB), program budgeting is a budget system that focuses on program objectives, achievements, and cost-effectiveness. *Manageware* also states that program budgeting is concerned with outcomes or results rather than with individual items of expenditure.

Strategic planning is a process that sets goals and objectives for the future and strategies for achieving those goals and objectives, with an emphasis on how best to use resources. Program budgeting involves the development of missions, goals, objectives, and performance indicators. These factors are components of the strategic planning process.

Exhibit 1-1 on the following page shows how missions, goals, objectives, and performance indicators relate to each other. As can be seen in this exhibit, the mission is the base from which goals are derived. Objectives flow from the goals and performance indicators flow from the objectives.

Exhibit 1-1
Major Components of the Strategic Planning Process



Source: Prepared by legislative auditor's staff using a similar diagram in *Manageware*.

Manageware defines the above terms as follows:

- ♦ **Mission:** a broad, comprehensive statement of the organization's purpose. The mission identifies what the organization does and for whom it does it.
- ♦ **Goals:** the general end purposes toward which effort is directed. Goals show where the organization is going.
- ♦ **Objectives:** specific and measurable targets for accomplishment. Objectives include a degree or type of change and a timetable for accomplishment.
- ♦ **Performance Indicators:** the tools used to measure the performance of policies, programs, and plans.

Furthermore, *Manageware* categorizes performance indicators into five types:

1. **Input indicators** measure resource allocation and demand for services. Examples of input indicators are budget allocations and number of full-time equivalent employees.
2. **Output indicators** measure the amount of products or services provided or the number of customers served. Examples of output indicators include the number of students enrolled in an adult education course, the number of vaccinations given to children, and the number of miles of roads resurfaced.
3. **Outcome indicators** measure results and assess program impact and effectiveness. Examples of outcome indicators are the number of persons able to read and write after completing an adult education course and the change in the highway death rate. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved.
4. **Efficiency indicators** measure productivity and cost-effectiveness. They reflect the cost of providing services or achieving results. Examples of efficiency indicators include the cost per student enrolled in an adult education course, the bed occupancy rate at a hospital, and the average processing time for environmental permit applications.
5. **Quality indicators** measure effectiveness in meeting the expectations of customers, stakeholders, and other groups. Examples of quality indicators include the number of defect-free reports compared to the number of reports produced, the accreditation of institutions or programs, and the number of customer complaints filed.

Manageware also points out the benefits of program budgeting. According to *Manageware*, program budgeting streamlines the budget process. *Manageware* also says that program budgeting supports quality management by allowing managers more budgetary flexibility while maintaining accountability for the outcomes of programs. Since appropriations are made at the program level, program managers can more easily shift funds from one expenditure category to another to cover unanticipated needs, according to *Manageware*.

The need for accountability in government operations is gaining recognition both domestically and internationally. According to a recent report issued by the United States General Accounting Office, the federal government is currently implementing the Government Performance and Results Act of 1993. This act requires agencies to set goals, measure performance, and report on their accomplishments. The report also cites several states including Florida, Oregon, Minnesota, Texas, and Virginia and foreign governments such as Australia, Canada, New Zealand, and the United Kingdom that are also pursuing management reform initiatives and becoming more results-oriented.

In Louisiana, the 1996 general appropriation bill and resulting act included program descriptions for the first time. The 1997 general appropriation bill also includes key performance indicators. For fiscal year 1997-98, this information will be presented for informational purposes only. However, in the future, it will serve as a starting point for the full implementation of performance based budgeting.

**Executive Budget
Is Basis for
General
Appropriation
Act**

Article VII, Section 11(A) of the Louisiana Constitution requires the governor to submit a budget estimate to the legislature that sets forth the state expenditures for the next fiscal year. This budget estimate, the executive budget,¹ must include recommendations for appropriations from the state general fund, dedicated funds, and self-generated funds.

R.S. 39:36 requires the executive budget to be configured in a format that clearly presents and highlights the programs operated by state government. This statute also requires the executive budget to include:

- (1) an outline of the agency's programmatic structure, which should include an itemization of all programs with a clear description of the objectives of each program;
- (2) a description of the activities that are intended to accomplish each objective; and
- (3) clearly defined indicators of the quantity and quality of performance of these activities.

OPB develops the executive budget based on voluminous material contained in various documents prepared by the departments as part of their budget requests. The budget request packages are made up of six separate components, which are listed below. These packages contain both financial and program information.

1. **Operational plans** describe the various programs within state agencies. They also give program missions, goals, objectives, and performance indicators. Operational plans are derived from long-range strategic plans. Operational plans tell what portions of strategic plans will be addressed during a given operational period.

¹ The governor also submits a capital outlay budget. However, the scope of this audit includes only the executive budget.

2. **Existing operating budgets** describe the initial operating budgets as adjusted for actions taken by the Joint Legislative Committee on the Budget, the Interim Emergency Board, the legislature, and/or the governor.
3. **Continuation budgets** describe the level of funding for each budget unit that reflects the resources necessary to carry on all existing programs and functions at the current level of service in the ensuing fiscal year. These budget components include any adjustments necessary due to the increased cost of services or materials as a result of inflation and increased work load requirements resulting from demographic or other changes. Continuation budgets contain program information.
4. **Technical/other adjustment packages** allow for the transfer of programs or functions from certain agencies or departments to other agencies or departments. However, total overall revenues and expenditures cannot be increased. The Technical/Other Adjustment Packages also contain program information.
5. **New or expanded service requests** are designed to provide information about the cost of new and/or expanded services that departments will provide. These service changes can come about as a result of regulation or procedural changes that are/were controlled by the agency or by the addition of services that were not previously provided. The new or expanded service requests also contain program information.
6. **Total request summaries** provide a cross-check of the total budget request document. These forms are designed to provide summaries of all the requested adjustments made to arrive at the total budget requests.

According to *Manageware*, the total budget request must be accompanied by the Sunset Review Budget Request Supplement (i.e., BRS forms). The BRS forms list all activities that a budget unit has been directed to administer (through legislatively authorized programs and acts of the legislature) for which no implementing funds were appropriated in the existing operating budget. The BRS forms must be submitted to OPB, the Legislative Fiscal Office, and the Joint Legislative Committee on the Budget.

For the 1996-97 fiscal year, OPB prepared and published several volumes of a two-part executive budget using the departments' budget request packages. One part of the executive budget contains financial information, and the other part contains program information. The program information includes program descriptions, missions, goals, objectives, and performance indicators related to the services and products of each department resulting from spending state revenues.

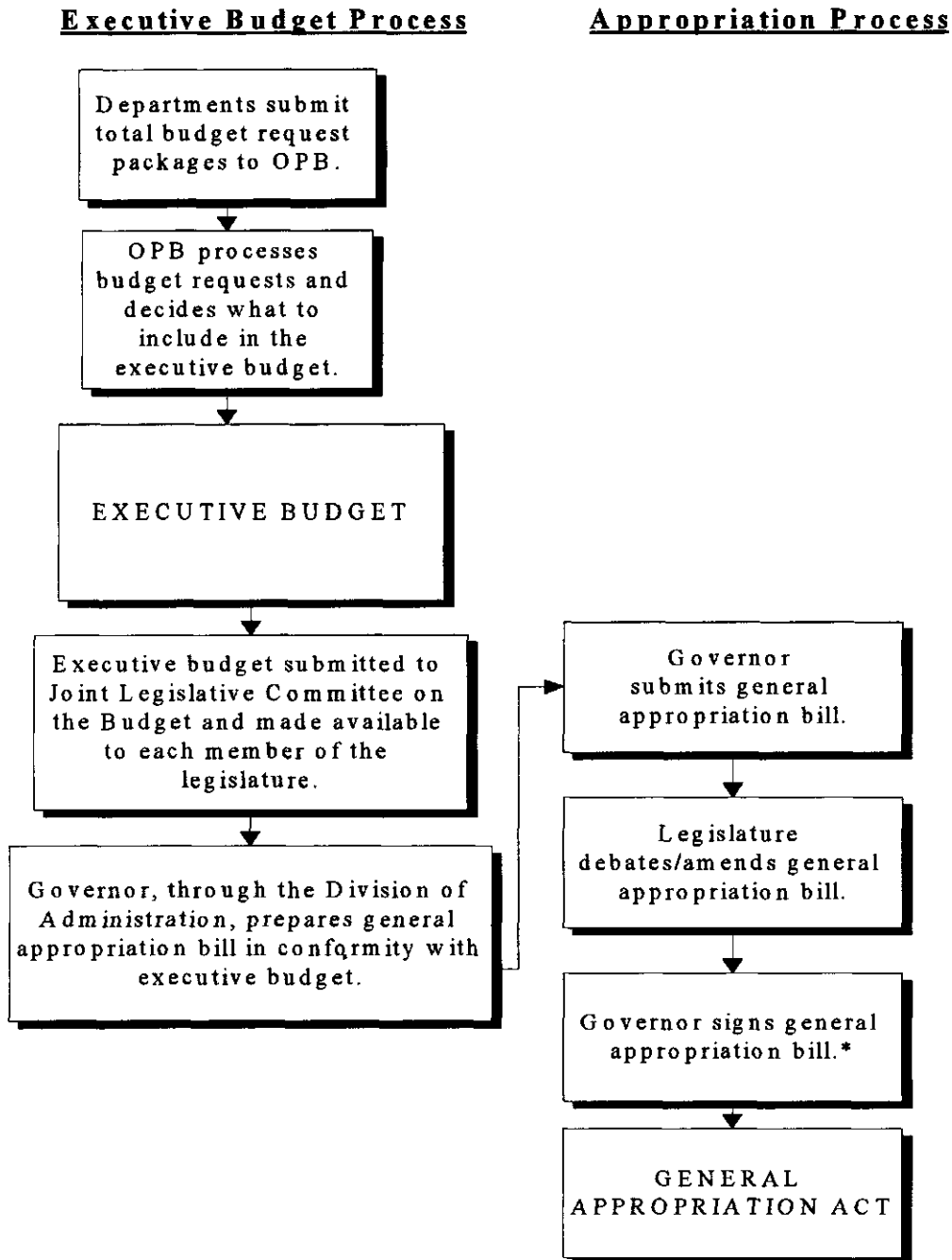
According to R.S. 39:37, the governor must submit the executive budget to the Joint Legislative Committee on the Budget. The governor must make a copy of the executive budget available to each member of the legislature. The constitution requires that the governor submit a general appropriation bill for proposed ordinary operating expenditures in conformity with the executive budget document that was submitted to the legislature.

The general appropriation bill moves through the legislature similar to any other bill. The Appropriations Committee in the House of Representatives initially hears the bill. It then moves to the full House, then to the Senate Finance Committee, and then to the full Senate. Both the House and Senate may amend the bill. The bill is voted upon in its final form by the full membership of both chambers. OPB monitors any amendments the legislature makes to the bill.

After the general appropriation bill passes the legislature, it is forwarded to the governor. Once the governor signs the bill, it becomes law in the form of the General Appropriation Act. After the governor signs the bill, OPB reports to the state departments any amendments made by the legislature. The state constitution allows the governor to veto any line item in the appropriation bill. A veto can be overridden by a two-thirds vote of the legislature. Exhibit 1-2 on the following page illustrates the executive budget and appropriation processes.

Exhibit 1-2

Executive Budget and Appropriation Processes



* The governor has line-item veto power.

Source: Prepared by legislative auditor's staff using the state constitution, state law, *Manageware*, and *House Legislative Services - State and Local Government in Louisiana: An Overview* (December 1995).

Scope and Methodology

Overview. This performance audit of DPS's program information was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. All performance audits are conducted in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Work on this audit began in August 1996.

This section provides a summary of the methodology used in this audit. Based on planning meetings held by legislative audit staff, we formulated audit objectives that would address issues specific to the program information contained in the executive budget. The audit focused on the fiscal year 1996-97 executive budget program information.

References Used. To familiarize ourselves with performance measurement, program budgeting, and accountability concepts, we reviewed various publications including the following:

- ♦ *Manageware* published by the Office of Planning and Budget (1991 and 1996 editions)
- ♦ *Research Report - Service Efforts and Accomplishments Reporting: Its Time Has Come, An Overview* published by the Governmental Accounting Standards Board (GASB) (1990)
- ♦ *Executive Guide: Effectively Implementing the Government Performance and Results Act* published by the U.S. General Accounting Office (June 1996)
- ♦ Various reports by the Canadian Comprehensive Auditing Foundation
- ♦ Reports from various states related to program budgeting and strategic planning

These publications are listed in detail in Appendix A. We also conducted interviews with personnel of the Urban Institute, the federal Office of Management and Budget (OMB), and GASB. These individuals represent both the theoretical and practical sides of current performance measurement and accountability efforts.

To gain an understanding of the state's budget process, we reviewed state laws regarding program budgeting. In addition, we interviewed staff of OPB and DPS regarding their budget processes.

Legal Basis for Missions and Goals. We searched state and federal laws to determine whether there is legal authority for the missions and goals reported for the department and its programs in the 1996-97 executive budget. We also reviewed applicable laws to determine legislative intent related to the creation of the department and the functions that the department and its programs are intended to perform. In addition, we reviewed and organized data obtained from the department on its structure, functions, and programs. We also interviewed key department personnel about these issues. We included within the scope of our detailed audit work the Public Service Commission.

Comparison of Program Information to Criteria. We developed criteria against which to compare the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget. To help develop these criteria, we gathered information from GASB, OMB, the Urban Institute, and *Manageware*. During our criteria development process, we obtained ongoing input from GASB. We also obtained concurrence from GASB on our final established criteria. We then compared the missions, goals, objectives, and performance indicators to the established criteria.

In addition, we evaluated the objectives and performance indicators to determine if they collectively provide useful information to decision-makers. When deficiencies or other problems were identified, we discussed them with appropriate personnel of the department and OPB. We did not assess the validity or reliability of the performance indicators.

Although other documents contain program information on the department, we only compared the missions, goals, objectives, and performance indicators contained in the 1996-97 executive budget to the criteria. This decision was made because the executive budget is the culmination of OPB's review and refinement of the budget request components. It also represents the governor's official recommendation to the legislature for appropriations for the next fiscal year.

Potentially Overlapping, Duplicative, or Outmoded Areas. Finally, we reviewed the program descriptions and legal authority for the department's programs and related boards, commissions, and like entities to identify areas that appear to be overlapping, duplicative, or outmoded. We defined these terms as follows:

- ◆ **Overlapping:** instances where two or more programs appear to perform different activities or functions for the same or similar purposes
- ◆ **Duplicative:** instances where two or more programs appear to conduct identical activities or functions for the same or similar purposes
- ◆ **Outmoded:** those programs, activities, or functions that appear to be outdated or are no longer needed

We did not conduct detailed audit work on the areas we identified as potentially overlapping, duplicative, or outmoded. We only identified them for further review at another time.

Areas For Further Study

During this audit, we identified the following areas that require further study:

- ◆ As previously mentioned, assessing the validity and reliability of performance indicators was not within the scope of this audit. However, if the legislature intends to include performance indicators in future appropriation bills and acts, validity and reliability become increasingly important. Consequently, in the future, the legislature may wish to direct a study of the validity and reliability of performance indicators included in appropriation bills.
- ◆ The regulation of rates and services of certain intrastate motor carriers should be assessed in more detail to determine whether it is truly outmoded. Once this assessment is completed, the legislature may decide whether this function, should be altered, expanded, or eliminated.

- ♦ The availability of management information systems that can readily integrate data from a variety of sources is essential to a successful program budgeting system. Capturing accurate and meaningful performance data is important, in part, because of the increased emphasis the legislature is placing on program information. Therefore, the capabilities of the department's management information system as related to program data should be addressed in the near future.
- ♦ We noted that the Motor Carrier Registration Program of DPS enforces registration and insurance requirements on motor carriers. All intrastate and interstate motor carriers who operate in Louisiana must register with the department and show proof of insurance. DPS employs enforcement officers who work at highway weigh stations to check for operating authority and current insurance. However, the Department of Transportation and Development and the Department of Public Safety - Public Safety Services also regulate various aspects of transportation. We suggest that further study be conducted to determine whether operating authority and insurance regulation should be transferred to one of these other departments.

Report Organization

The remainder of this report is divided into the following chapters and appendixes:

- ♦ **Chapter Two** describes the Department of Public Service and the Public Service Commission. This chapter gives the legal authority for the department, the department's programs, and the commission as well as other information that describes the department and commission. Chapter Two also compares the missions and goals of the commission and the department as reported in the fiscal year 1996-97 executive budget to their legal authority. In addition, this chapter discusses potentially overlapping, duplicative, and outmoded programs, functions, and activities.

- ♦ **Chapter Three** gives the results of our comparison of the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget to established criteria. In addition, this chapter discusses whether the objectives and performance indicators collectively provide useful information for decision-making purposes.
- ♦ **Appendix A** contains a list of publications used for this audit.
- ♦ **Appendix B** contains DPS's response to this report.
- ♦ **Appendix C** contains OPB's response to this report.

Chapter Two: Department Overview

Chapter Conclusions

PSC regulates common carriers and public utilities operating in the state of Louisiana. DPS carries out the functions of the commission. For budgetary purposes, the department is divided into four programs. According to the 1996 General Appropriation Act, the department has a total of 107 authorized positions and an operating budget of approximately \$5.3 million.

All missions included in the 1996-97 executive budget are generally consistent with legislative intent. That is, the missions reflect the intent of the legislature as portrayed in underlying law.

Our review of program information and laws did not reveal any overlap or duplication of programs or major functions. We did identify one function that may be outmoded: the regulation of rates and services of certain intrastate motor carriers. This function may be unnecessary because competition within the intrastate motor carrier industry, rather than regulation, can ensure fair and reasonable rates and service levels.

Department Background

Introduction. PSC consists of five commissioners elected from districts across the state. Article IV, Section 21 of the Louisiana Constitution of 1974 directs PSC to regulate all common carriers and public utilities. It also requires the PSC to adopt and enforce rules, regulations, and procedures necessary in its regulatory duties.

DPS was created by Act 83 of 1977, which enacted R.S. 36:721. This act charged the department with performing the functions of PSC. The law establishing the department also provides that PSC shall serve as the executive head of the department. PSC is responsible for the administration, control, and operation of the functions, programs, and affairs of the department. We did not identify any other boards, commissions, or like entities that are related to DPS.

History in Louisiana. According to the National Association of Regulatory Utility Commissioners, the first regulatory commission to govern the rates and services of common carriers and public utilities on the state level in Louisiana was created by the Louisiana Constitution of 1898. Article 283 of the 1898 constitution provided for the creation of a “Railroad, Express, Telephone, Telegraph, Steamboat and Other Water Craft, and Sleeping Car Commission.” The Railroad Commission, as it was called, consisted of three commissioners who served staggered six-year terms. One commissioner was elected from each of three Railroad Commission Districts into which the state was divided.

The Railroad Commission functioned until 1921. At that time, a new state constitution replaced it with PSC. The same three districts were continued, as was the procedure for election of commissioners. PSC’s jurisdiction was extended to include the regulation of “gas, electric light, heat and power, water works, common carrier pipelines, canals (except irrigation canals), and other public utilities.”

The Louisiana Constitution of 1974 called for the commission district boundaries to be redrawn to divide the state into five districts. The 1974 constitution stipulates that PSC shall consist of five members, elected for overlapping terms of six-years from single member districts. The new constitution also removed the explicit list of industries regulated by PSC and replaced it with language granting PSC the power to regulate common carriers and public utilities.

The Regulatory Function. Regulatory commissions embody the functions of all three branches of American government. They function in a quasi-executive, a quasi-legislative, and a quasi-judicial capacity. In enforcing the provisions of the law under which they operate, regulatory commissions exercise their quasi-executive powers. In investigating and prescribing reasonable practices for the future, they function in a quasi-legislative capacity. In determining the reasonableness of past conduct, regulatory commissions exhibit their quasi-judicial function. Thus, PSC’s relationship to the

three branches of state government may be summarily stated: the legislature gives it life and direction; the judiciary may review its decisions and require it to function under the law; and the executive branch furnishes it with organization, enforcement assistance, and funding.¹

Program Organization and Staffing. For budgetary purposes, DPS is divided into four programs. According to the General Appropriation Act of 1996, the department has a total of 107 authorized positions. The programs and authorized positions are shown in Exhibit 2-1 below.

Exhibit 2-1

**Programs and Authorized Positions
Department of Public Service**

Program	Number of Authorized Positions
Administrative	58
Utilities	8
Motor Carrier Registration	29
Rates, Economics, and Auditing	12
Total	107

Source: Prepared by legislative auditor's staff using the 1996 General Appropriation Act.

The Administrative Program provides management and oversight of and other administrative support to the other programs within the department. In addition, the program conducts administrative hearings for and makes recommendations and rulings for PSC. Also included in this program are the functions of the five commissioners' district offices.

¹ Taken from *The Louisiana Economy* by Thomas Beard, copyright 1969.

The Utilities Program maintains records of all rates and conditions of service filed by regulated utilities. This program also provides technical support to PSC. In addition, the program performs complaint and hearing functions. It also maintains tariff records and assures that companies comply with commission rate orders and policy.

The Motor Carrier Registration Program performs functions similar to those of the Utilities Program. This program, however, is concerned with the regulation of intrastate common and contract carriers offering services to the public for hire. It also provides staff support to PSC for enforcement of motor carrier laws.

The Rates, Economics, and Auditing Program reviews and analyzes rates of return and rate increases proposed by regulated utilities. It then makes recommendations to PSC. This program also reviews and evaluates information concerning regulated companies, their industries, and the financial markets. These reviews and evaluations aid PSC in developing policies regarding the regulation and oversight of utilities.

Recent Program Changes. DPS began a reorganization in 1995, shifting some staff among programs. However, because of miscommunication between DPS and OPB, these shifts were not reflected in the 1996-97 executive budget. The executive budget lists the administrative hearings function under the Administrative Program. However, this function is actually carried out by staff in the Rates, Economics, and Auditing Program. Similarly, the executive budget lists the auditing function under the Rates, Economics, and Auditing Program. However, this function is actually carried out by staff in the Utilities Program. These changes, including revised program names, are reflected in the recently issued 1997-98 executive budget.

Clients Served. Clients or customers of PSC include the companies regulated and the customers of the regulated companies. According to department staff, as of November 1996, PSC regulated over 36,000 companies. Approximately 34,000 of these companies are interstate motor carriers based in other states that are licensed to operate in Louisiana. Exhibit 2-2 on the following page shows the numbers of companies regulated by type.

Due to the nature of businesses regulated by PSC, the customers of the regulated companies include virtually all residents of the state. The general public is also a customer or client of PSC in terms of insurance requirements PSC enforces on regulated companies.

Exhibit 2-2

**Types/Numbers of Companies Regulated by PSC
As of November 1996**

Type of Company	Number
Automatic Telephone Dialing Devices	3
Cellular Telephone Providers	33
Cellular Telephone Resellers	5
Electric Utility Cooperatives	12
Facility-Based Long Distance Telephone Companies	5
Interstate Motor Carriers: Louisiana Based	719
Interstate Motor Carriers: Other Jurisdictions	34,294
Intrastate Motor Carriers	324
Investor Owned Electric Utilities	4
Local Telephone Exchange Carriers	21
Natural Gas Distribution Firms	18
Natural Gas Pipelines	10
Pay Telephone Companies	301
Radio Common Carriers	20
Resellers	230
Sewer Companies	135
Water Companies	100
Total	36,234

Source: Prepared by legislative auditor's staff using data obtained from the Department of Public Service.

Expenditure Data. Exhibit 2-3 below contains a summary of DPS expenditure information by program. The first column shows actual expenditures for the previous fiscal year. The second column shows the recommended amounts for the current fiscal year. The third column shows the amounts appropriated for the current fiscal year. As can be seen from the exhibit, the Administrative Program expends over half of the department funds. Remember, however, that in addition to general administrative functions, the Administrative Program includes the budgets of the Administrative Hearings Division and the district offices of the commissioners.

Exhibit 2-3

**Expenditure, Budget, and Appropriation Data
Department of Public Service**

	Actual Expenditures Fiscal Year 1996	Recommended Amounts Fiscal Year 1997	Appropriated Amounts Fiscal Year 1997
Administrative Program	\$2,840,000	\$3,019,246	\$3,019,246
Utilities Program	429,000	422,100	422,100
Motor Carrier Registration Program	962,000	1,198,247	1,213,247
Rates, Economics, and Auditing Program	571,000	656,545	656,545
Total	\$4,802,000	\$5,296,138	\$5,311,138

Source: Prepared by legislative auditor's staff using data from the June 30, 1996, Comprehensive Annual Financial Report Supplement, the 1996-97 executive budget, and the 1996 General Appropriation Act.

**Missions
Are Consistent
With Law****Missions Reported in the 1996-97 Executive Budget
Are Generally Consistent With Legislative Intent**

All missions included in the 1996-97 executive budget are generally consistent with legislative intent. That is, the missions reflect the intent of the legislature as portrayed in underlying law. Therefore, users of the executive budget can be assured that the major program functions included in the executive budget are grounded in state law.

We reviewed federal laws, the state constitution, and state statutes governing DPS and PSC. The purpose of our review was to determine if the missions reported in the 1996-97 executive budget are consistent with legislative intent and legal authority. We found that all missions are generally consistent with those underlying assumptions. Because there are no goals reported in the executive budget, we were not able to compare goals to the law.

Overall, we found that there are no explicit mission statements for PSC, DPS, or department programs in state or federal law. Instead, the constitutional and statutory provisions generally describe major functions of PSC and DPS as a whole and do not refer to specific programs. Regarding the regulatory function, state law requires only that PSC regulate companies so that rates charged and service provided are fair and reasonable.

We did find legal authority, however, for DPS to perform all of the major functions described in the executive budget. Therefore, users of the executive budget can be assured that each major program function included in the budget is grounded in state law.

**No Apparent
Overlap or
Duplication****We Did Not Identify Any Overlapping or Duplicative
Programs or Functions**

We did not identify any overlap or duplication of DPS programs or major functions. Thus, there do not appear to be any programs or major functions that use funds for the same or similar purposes.

As previously stated, we reviewed the program information and performance data in the 1996-97 executive budget. In those reviews, we compared all program descriptions and mission statements for similarity. We also interviewed all division heads about the possibility of overlap and duplication among programs and functions.

In our review of the program information and performance data, we did not identify any programs or functions that appear to perform different activities or functions for the same or similar purposes. We also did not identify any that appear to conduct identical activities or functions for the same or similar purposes. In our interviews, several division heads said that staff from more than one program often work on joint projects. However, the tasks within the projects do not appear to be overlapping or duplicative. Thus, there does not appear to be any overlap or duplication among DPS programs or major functions.

Our purpose in this area of work was to identify potentially overlapping and duplicative areas for further review. If programs do have some overlapping or duplicative aspects, it could mean that DPS is spending more time, money, and effort to reach its clientele than is necessary. However, because it was not within the scope of this audit, we did not conduct individual program evaluations to determine if overlap or duplication is actually occurring. We can only state that none came to our attention in this audit.

One Regulatory Function May Be Outmoded

Economic Regulation of Certain Intrastate Motor Carriers May Not Be Necessary

Economic regulation of certain intrastate motor carriers may be outmoded. PSC currently regulates the rates and service levels of intrastate motor carriers of household goods, waste, and passengers. However, Congress recently preempted states from economic regulation of motor carriers with respect to transportation of property. Also, at least eight other states and the District of Columbia do not regulate these aspects of intrastate motor carriers. One other state plans to cease such regulation in July 1997. Competition within the intrastate motor carrier industry, rather than regulation, can ensure fair and reasonable

rates and service levels. If this function is outmoded, it may mean that DPS is using more resources than necessary.

We reviewed in detail the program information contained in the 1996-97 executive budget regarding the Motor Carrier Registration Program. We also interviewed management representatives from this program. We learned that intrastate motor carriers of household goods, waste, or passengers must apply to PSC for authorization to operate in Louisiana. PSC regulates the rates and service provided by these motor carriers. Staff in the Motor Carrier Registration Program perform this function. Regulation of an industry's rates and service is often called economic regulation.

Economic regulation is valid in industries with natural monopolies. Natural monopolies occur when one firm can supply all of the demand for a good or service at a lower cost than multiple suppliers. An example of what is traditionally thought of as a natural monopoly is a local telephone distribution. Monopoly firms, through their total control of the supply of a good or service, are able to charge high prices and make large profits. The regulation of monopoly firms attempts to prevent the firms from earning enormous profits.

Intrastate motor carriers of household goods, waste, or passengers have a low degree of natural monopoly power. Therefore, economic regulation of these industries may be unjustified and an unnecessary use of resources. Competition within the intrastate motor carrier industry, rather than economic regulation, can ensure fair and reasonable rates and service levels.

Studies have shown that while the rationale for economic regulation was to prevent pricing abuses by holding prices down, it has often held prices up. Under a deregulated intrastate motor carrier industry, if prices charged by a firm are too high, competing firms can freely enter the industry, offer lower prices, and attract the business of the unsatisfied customers.

The federal government has realized the inefficiencies associated with the economic regulation of various transportation industries. Congress recently passed a series of measures aimed at deregulating several of these industries. Citing the unreasonable cost placed on American consumers, Congress passed the Federal Aviation Administration Authorization Act of 1994. The act preempted states from the economic regulation of motor carriers with respect to the transportation of property.

This legislation left available to states the economic regulation of intrastate transportation of household goods, waste, and passengers. According to the American Trucking Associations, as of July 1996, at least eight other states and the District of Columbia do not regulate the economic aspects of intrastate motor carriers of household goods, waste, or passengers. One other state plans to cease such regulation in July 1997. Thus, it may no longer be necessary for DPS to regulate the rates and service of these motor carriers.

Matter for Legislative Consideration

- 2.1 The legislature may wish to consider amending R.S. 45:163 to remove economic regulation of intrastate motor carriers of household goods, waste, and passengers from PSC's purview.

Chapter Three: Analysis of Performance Data

Chapter Conclusions

DPS developed performance data for possible inclusion in the 1996-97 executive budget without using formal strategic planning. The lack of formal strategic planning may explain some of the deficiencies found in the DPS performance data.

The overall mission reported in the executive budget for PSC conveys the purpose and customers of the department. It is also organizationally acceptable. However, the missions for the individual programs lack critical elements. One program (the Utilities Program) does not have a clearly identifiable mission. The missions for the other three programs do not fully identify major clients or customers. Also, the missions for two of these programs (the Motor Carrier Registration Program and the Rates, Economics, and Auditing Program) do not include all major functions performed by those programs.

There are no clearly identifiable goals in the executive budget for any of the DPS programs. Also, none of the objectives are measurable or time-bound. Only one objective specifies desired end results.

In general, the performance indicators reported in the executive budget do not provide useful information about the programs' performance. There are no efficiency, outcome, or quality indicators. There is only one input indicator. Several of the indicators seem better suited for internal management purposes than for legislative use. In addition, the executive budget only reports indicators for past years. No indicators are reported for the current or projected year.

Because of these deficiencies in the performance data, the legislature and other users of the executive budget may not have sufficient information on which to judge overall performance of the department or of the individual programs. This lack of useful information may also hamper budgetary decision making.

Analysis Conducted

We analyzed the performance data presented in the program information volume of the 1996-97 executive budget for DPS and PSC. More specifically, we assessed one overall mission statement, two program mission statements, and one statement not specifically labeled as a mission but which the OPB planning analyst for DPS concurred would suffice as a program mission. We also assessed seven objectives and 60 performance indicators to determine if they collectively provide information that shows program progress and is suitable for budgetary decision making. There are no goals presented in the executive budget.

We evaluated all missions, objectives, and performance indicators for each of the four DPS programs listed in the executive budget. Our evaluation considered whether the executive budget provides useful information to enable legislators or other readers to understand each program and make related budgetary decisions.

We also evaluated the missions, objectives, and performance indicators against a set of core criteria. We used *Manageware* and consulted with various experts to develop these criteria. The criteria used in our evaluation are described in Exhibit 3-1 on the following page. The results of our analysis are described in the findings that follow.

Exhibit 3-1**Criteria Used to Evaluate
Performance Data Included in
Fiscal Year 1996-97 Executive Budget**

MISSION: A broad, comprehensive statement of purpose

- ✓ Identifies overall purpose for the existence of the organization, department, office, institution, or program as established by constitution, statute, or executive order
 - ✓ Identifies clients/customers of the organization or external and internal users of the organization's products or services
 - ✓ Organizationally acceptable
-

GOAL: The general end purpose toward which effort is directed

- ✓ Consistent with department, program, and office missions
 - ✓ Provides a sense of direction on how to address the mission; reflects the destination toward which the entity is striving
-

OBJECTIVE: A specific and measurable target for accomplishment

- ✓ Consistent with goals
 - ✓ Measurable
 - ✓ Time-bound
 - ✓ Specifies desired end result
-

PERFORMANCE INDICATOR: Tool used to measure performance of policies, plans, and programs

- ✓ Measures progress toward objective or contributes toward the overall measurement of progress toward objective
 - ✓ Consistent with objective
 - ✓ Clear, easily understood, and non-technical
-

Source: Prepared by legislative auditor's staff based on input from *Manageware*, GASB, OMB, and the Urban Institute to show criteria used to evaluate the department's performance data.

**No
Strategic
Planning**

DPS Has Not Engaged in Formal Strategic Planning

DPS developed performance data for possible inclusion in the 1996-97 executive budget without using formal strategic planning. Strategic planning helps agencies systematically develop plans that emphasize the future as well as measurable results. The lack of formal strategic planning may explain some of the deficiencies we found in mission statements, goals, objectives, and performance indicators.

As a part of this audit, we discussed the use of program budgeting and strategic planning with department and commission officials. The administrative director said that the department had never used *Manageware*. She also stated that the department had not used strategic planning in a formal sense. Without strategic planning, program missions, goals, objectives, and performance indicators may be inconsistent or incomplete. In addition, they may not focus on measurable results, which is necessary for program budgeting to be successful.

The administrative director described the following process used in lieu of strategic planning to develop performance data for the executive budget. A former PSC executive secretary originally developed the data. Each year at the time of the annual budget request, the division heads would review this information and make changes as needed. The division heads would also supply updated performance indicator data from the most recently completed fiscal year. DPS would then submit this information to OPB.

The executive secretary said that changes in state and federal legislation and regulation and changes in technology are changing the role of DPS. He said that strategic planning is an important process and that it would be useful for the department. The administrative director told us that strategic plans were under development during our audit.

Not having a formal strategic planning process may explain some of the deficiencies we found in mission statements, goals, objectives, and performance indicators. Once a strategic planning process is in place, DPS staff should be able to provide more useful performance data for inclusion in the executive budget.

Recommendation

- 3.1 DPS should continue its plans to implement a formal strategic planning process. Because of recent changes in federal law and technology, now would be an opportune time to start planning with an emphasis on the future. In addition to developing a plan for the immediate future, the process should include provisions to review and update the plan on a regular basis.

Overall Mission Statement Meets Core Criteria

PSC Mission Statement Provides Useful Information

The PSC mission statement included in the 1996-97 executive budget meets all core criteria. That is, the mission identifies the overall purpose of PSC, identifies principal clients or customers, and is organizationally acceptable. The statement is also consistent with the purpose of PSC as stipulated in the state constitution. Thus, the mission statement helps promote understanding about the common purpose and clientele of DPS.

The commission's mission statement is as follows:

Mission: To regulate the rates and service practices of the utility and transportation companies located in the state of Louisiana in order to secure for the public reasonable service at rates that are fair both to the customers and to the companies.

This mission clearly states the purpose of DPS: to regulate rates and service of utility and transportation companies. The mission statement also identifies the customers of DPS as the public, the utility and transportation companies located in the state, and their customers. We found that DPS's operational plan includes language similar to the mission statement. Therefore, we concluded that the mission statement is organizationally acceptable.

Having a mission statement that meets the core criteria helps DPS staff develop goals and objectives. This is because goals clarify missions, and objectives are intermediate milestones along a path toward a goal. It also tells users of the executive budget the purpose and clientele of the department. This information provides a point of reference that can be useful to legislators and others when making budgetary decisions.

**Administrative
Program's
Performance
Data Need
Improvement****Performance Data for Administrative Program
Generally Not Useful for Budgetary Decision Making**

The performance data reported in the 1996-97 executive budget for the Administrative Program are generally not useful for budgetary decision making. The mission statement for this program does not identify all of the program's major clients and customers. There are no clearly identified goals. None of the objectives are measurable or time-bound. There is not a balanced mix of meaningful performance indicators, and indicators are not reported for the current or forecasted year. Because the performance data are lacking in critical elements, they are not generally useful for legislative and budgetary decision making.

The performance data for the Administrative Program are presented in Exhibit 3-2 on the following page. Specific problems identified with this program's missions, goals, objectives, and performance indicators are described in the paragraphs below.

Mission. The mission statement for the Administrative Program does not identify all of the program's major clients and customers. As a result, it may not provide sufficient information to users of the executive budget about the customers the program is intended to serve.

We found that the Administrative Program's mission is consistent with the overall DPS mission statement. It also identifies the overall purpose of the program. This is important because program staff must understand why the program exists and how it fits into the overall department. It is also important to show legislators and other users of the executive budget what the purpose of the program is so that they can make informed budgetary decisions.

We also found that the purpose stated in the mission is organizationally acceptable. That is, the department agrees that the mission presented in the budget accurately portrays the program's purpose. The mission does not, however, identify all major clients and customers of the program. The district offices and the Administrative Hearings Division, which are included in the Administrative Program, work directly with regulated companies and the companies' customers. As such, these groups are clients and customers of the Administrative Program. The PSC is also a client of the program through the Executive Division, district offices, and Administrative Hearing Division.

Exhibit 3-2
**Performance Data Reported in 1996-97 Executive Budget
Administrative Program**

Mission: To provide for the management/oversight and other administrative support to the other programs within DPS in order that they may carry out their responsibilities and accomplish the commission's mission and goals.

Goals: None identified.

Objective No. 1: To continue the maintenance of a district office network throughout the state to provide service to both the public and the companies the PSC is mandated to serve.

Performance Indicators for Objective No. 1:

Number of complaints received in district offices:

Electric-related	Telephone-related	Water/Sewer-related
Gas-related	Transportation-related	Other
Total Number Received		

Objective No. 2: To continue to provide management oversight to the other programs within DPS as well as supply the necessary administrative support (budgetary, fleet management, personnel, purchasing, training, legal) in order that those programs can effectively carry out their assigned responsibilities.

Performance Indicators for Objective No. 2:

Number of:

DROP participants	Merit increases	Resignations
Inquiries for job information	New hires	Retirements
Interviews	Promotions	State vehicles managed
Vacancies	Re-employments	
Motor carrier fees processed		
Miscellaneous motor carrier reports processed		
Total collections processed		

Objective No. 3: To assist the PSC through the Administrative Hearings Division in making an examination of the rates charged and services provided to Louisiana consumers by public service or public utility businesses.

Performance Indicators for Objective No. 3:

Number of:

Docketed cases heard	General orders issued	Transportation orders issued
Cases processed in court	Special orders issued	Utility orders issued
Pending cases	Utility and transportation cases docketed	
Total orders issued		

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

The Administrative Program appears to be a combination of oversight functions, support functions, and district office functions. These functions are rather diverse. Accordingly, the program as a whole may have no generally accepted purpose. We discussed the components of the Administrative Program with DPS officials. They expressed interest in moving the district offices function out of this program and into its own program.

It is important for program staff to understand how they fit into the overall department. Otherwise, it will be difficult to develop a workable strategic plan stating where the program is going and how it will get there. It is also important to provide the legislature with complete information on program purpose and clientele. Such information helps the legislature understand exactly why funds are being recommended and whom the program's services will benefit.

Goals. There are no clearly identifiable goals for the Administrative Program in the executive budget. A lack of goals may mean that the legislature cannot determine in what direction a program is attempting to go. As a result, there may be a breakdown in accountability to the legislature.

We found that DPS did not clearly identify any program goals for the Administrative Program in its 1996-97 operational plan. Consequently, no goals were carried over into the executive budget. Without goals, users of the executive budget cannot determine the general end purpose of the Administrative Program.

Because there are no goals in the executive budget, we could not assess the consistency of the objectives with goals. Goals clarify missions and signal the direction in which a program is attempting to move. Objectives are intermediate achievements or milestones necessary to reach those goals. Goals and objectives provide a baseline against which legislators can compare actual outcomes. A lack of goals may mean that the legislature cannot determine in what direction the program is attempting to go or where emphasis is being placed by the program managers.

Objectives. None of the objectives for the Administrative Program are measurable or time-bound. Rather, the objectives are very broad and do not specify desired end results. Therefore, program managers have no clear benchmarks against which to measure progress. In addition, legislators may not be able to

determine exactly what the program intends to achieve within a stated time frame.

More specifically, we found that none of the Administrative Program's three objectives include quantified target levels of performance. The objectives also do not include time frames over which the targeted levels of performance are to be attained. Instead, the objectives are very broad and do not characterize specific desired end results. They appear to look more like goals than objectives.

For instance, the program's second objective is to continue to provide management oversight and administrative support to other programs within DPS. This objective does not specify exact targets and time frames for accomplishment. Examples of targeted results might include producing a strategic plan by a certain date or decreasing the processing time of motor carrier fees by a certain percentage this year.

The broad nature of the objectives also makes it impossible for the program's performance indicators to measure meaningful progress toward them. Without specific, measurable, time-bound objectives, program managers have no benchmarks against which to measure progress. Likewise, legislators may not be able to determine how effectively and efficiently state money is being spent.

One of the typical procedures in strategic planning involves reviewing the organization's mission and goals and setting objectives. Objectives should be specific, measurable milestones that are necessary to realize the goals. The objectives should also set time frames for achieving those results. The lack of strategic planning by DPS contributes to the lack of specific, time-bound, measurable objectives.

Performance Indicators. The performance indicators for the Administrative Program generally do not provide useful information for legislative decision makers. None of the indicators measure input, efficiency, outcome, or quality. None estimate performance for the present or projected year. Some program functions have no indicators at all. Several of the indicators seem better suited for internal management purposes than for legislative use. Because of these deficiencies, the legislature may not have sufficient information on which to judge overall program performance.

We found that all 30 performance indicators for the Administrative Program are consistent with the corresponding objectives. Each describes a facet of the work of the program. Twenty-five of the program's indicators (83 percent) are clear, easily understandable, and non-technical. Five (17 percent), however, contain jargon that is difficult to understand. Also, because the objectives are so broad, none of the indicators measure meaningful progress toward them. If the objectives were improved, some of the indicators may become more useful.

We also found that all 30 of the indicators (100 percent) are output measures. There are no input, efficiency, outcome, or quality indicators reported for this program. Inputs measure the amount of resources (e.g., financial or personnel) used for a program or service. Efficiency indicators are important because they measure productivity and cost-effectiveness. Outcome indicators are the most important type of indicator because they measure results and assess program impact and effectiveness. Quality indicators measure excellence.

Manageware and GASB both stress the need for a balanced mix of indicators. If a mix of indicators is not presented in the executive budget, users of the budget will not have complete information on program performance. GASB recommends also reporting explanatory information. Explanatory information includes a variety of information about the environment and other factors that might affect an organization's performance.

In addition to not having a mix of indicator types, the executive budget only contains performance indicator data for past fiscal years. It does not contain performance indicator data for the current fiscal year or the projected fiscal year. Performance indicators should be shown for the current and projected fiscal years, as well. Then, users of the executive budget can understand what the program is doing with current resources and what it plans to accomplish with resources requested for the projected year.

Finally, it appears that no distinction has been made as to which performance indicators should be maintained internally and which should be reported externally. There are no indicators reported for certain program functions. For instance, the legal and budgetary aspects of the program are not covered by any performance indicators. On the other hand, several indicators are reported for functions that may be of no interest to the

legislature. For example, there are performance indicators showing the numbers of new hires, promotions, re-employments, and resignations. Indicators that include overall aspects of the program may be more useful to the legislature. Examples might include the percentage of total DPS expenditures spent on administrative functions or support functions and the average cost per employee for all personnel functions.

The problems with the performance indicators can be traced to the lack of strategic planning by DPS. Without meaningful performance indicators that measure progress toward specific objectives, users of the executive budget may not be able to determine if the program is making progress at a reasonable cost.

The results of our analysis of the performance data reported for the Administrative Program are shown in Exhibit 3-3 on the following page.

Exhibit 3-3
Comparison of Administrative Program's
Performance Data With Core Criteria

Administrative Program (1 mission, 0 goals, 3 objectives, 30 performance indicators)

- ♦ Mission meets 2 of 3 core criteria: *identifies purpose, does not identify all clients, is organizationally acceptable*
- ♦ Goals: *none identified*
- ♦ Objective (District Offices) meets 0 of 3 applicable core criteria: *unable to determine consistency with goal because no goals reported, is not measurable, is not time-bound, is not results-oriented*
- ♦ Performance Indicators (7) meet criteria as follows:
 - ♦ 7 (100%) are *unable to measure progress toward objective because objective is too broad*
 - ♦ 7 (100%) are *consistent with objective*
 - ♦ 7 (100%) are *clear/non-technical*
- ♦ Objective (Oversight/Administrative Support) meets 0 of 3 applicable core criteria: *unable to determine consistency with goal because no goals reported, is not measurable, is not time-bound, is not results-oriented*
- ♦ Performance Indicators (14) meet criteria as follows:
 - ♦ 14 (100%) are *unable to measure progress toward objective because objective is too broad*
 - ♦ 14 (100%) are *consistent with objective*
 - ♦ 13 (93%) are *clear/non-technical*
- ♦ Objective (Administrative Hearings) meets 0 of 3 applicable core criteria: *unable to determine consistency with goal because no goals reported, is not measurable, is not time-bound, is not results-oriented*
- ♦ Performance Indicators (9) meet criteria as follows:
 - ♦ 9 (100%) are *unable to measure progress toward objective because objective is too broad*
 - ♦ 9 (100%) are *consistent with objective*
 - ♦ 5 (56%) are *clear/non-technical*

Source: Developed by legislative auditor's staff from comparisons conducted of 1996-97 executive budget performance data against core criteria listed in Exhibit 3-1.

**Utilities
Program's
Performance
Data Need
Improvement**

**Performance Data for Utilities Program Hamper
Accountability to Legislature**

The performance data reported in the 1996-97 executive budget for the Utilities Program generally hamper accountability to the legislature. There are no clearly identifiable missions or goals reported for the Utilities Program. The objective for this program is not measurable, time-bound, or specific in terms of end results. The performance indicators reported do not constitute a balanced mix of meaningful types of indicators. No performance indicators are reported for the current or forecasted year. Overall, the performance data are not generally helpful for monitoring and evaluating the performance of the program.

The performance data for the Utilities Program are presented in Exhibit 3-4 below. The results of our analysis of this program's performance data are described in the paragraphs following the exhibit.

Exhibit 3-4

**Performance Data Reported in the
1996-97 Executive Budget
Utilities Program**

Mission: None identified.

Goals: None identified.

Objective No. 1: To continue to maintain records of all the rates and conditions of service filed by the utilities regulated by PSC and to provide technical support to the PSC.

Performance Indicators:

- Number of tariffs filed
- Number of gas and fuel adjustments
- Number of complaints received
- Number of complaints referred to district offices
- Number of complaints processed in-house
- Number of rate increases and complaints
- Number of questionable tariffs filed
- Number of applications filed
- Number of times staff served as hearing examiner
- Number of hearing examiner reports issued

Source: Prepared by legislative auditor's staff using the 1996-97 executive budget.

Mission. There is no clearly identifiable mission for the Utilities Program in the executive budget. Therefore, the executive budget does not clearly provide the legislature with the overall purpose of the program or its clients or customers. It also does not tell whether this program's purpose is consistent with PSC's overall mission.

We reviewed the program information in the executive budget for the Utilities Program. We could not identify any statement explicitly identified as the program mission. We then reviewed the program information section of the budget with the OPB planning analyst for DPS. She stated that the information was only descriptive and that no mission statement was evident. To make informed decisions about the future of this program, the legislature needs to know the purpose of the program, the program's clients or customers, and how the program relates to the overall DPS mission.

Goals. There are no clearly identifiable goals in the executive budget for the Utilities Program. Without goals, users of the executive budget may not understand the destination toward which the program is striving. The lack of goals may also prevent users of the executive budget from determining if program objectives are consistent with program goals.

The program information for the Utilities Program only describes the functions and activities the program is responsible for performing. It does not contain any clearly identifiable goals. This information does not provide a sense of the program's direction. Thus, the legislature is being asked to appropriate funds for the program without being told the overall purpose and direction of the program.

Objective. The objective listed in the executive budget for the Utilities Program is not measurable or time-bound. Instead, it is a broad, vague statement that does not give specific targeted results. Like the objectives in the Administrative Program, this type of objective makes it difficult to determine the desired results. Also, performance indicators cannot measure meaningful progress toward such objectives.

Performance Indicators. The performance indicators reported in the executive budget for the Utilities Program are generally not useful for monitoring and evaluating the program. There are no input, outcome, efficiency, or quality indicators. If there is not a mix of the various indicator types, legislators and other users of the executive budget may not be able to determine overall progress made. In addition, there are no performance indicators reported for the current or projected fiscal year. If indicators are not estimated for the current and upcoming year, users of the budget do not know what performance to expect in return for funding recommended.

We found that all 10 of the performance indicators reported for the Utilities Program are consistent with the program objective. Six of the indicators (60 percent) are clear, easily understandable, and non-technical. The others contain jargon that is difficult to understand. Also, because the objective is so broad, none of the performance indicators measure meaningful progress toward it. If the objective were improved, some of the performance indicators may become more useful.

We found that all 10 of the performance indicators reported for this program are output indicators. There are no input, efficiency, outcome, or quality indicators. Thus, the executive budget does not provide information about the resources required for or the efficiency, effectiveness, or excellence of this program.

Also, we noted that the executive budget only reports performance indicators for past years. None are reported for the current year, and none are reported for the projected year. As mentioned in the discussion of the Administrative Program, the legislature could make more informed decisions about this program with more up-to-date information on performance.

The lack of strategic planning by DPS contributes to the deficiencies found with the performance data of the Utilities Program. Strategic planning, as outlined in *Manageware*, calls for organizations to identify their mission. An organization then develops goals, objectives, and performance indicators with the mission in mind. Disregarding any of these steps may cause a chain reaction of problems further down in the process.

Exhibit 3-5 below shows the results of our analysis of the Utilities Program's performance data.

Exhibit 3-5

Comparison of Utilities Program's Performance Data With Core Criteria

Utilities Program (0 missions, 0 goals, 1 objective, 10 performance indicators)

- ♦ **Mission:** *none identified*
- ♦ **Goals:** *none identified*
- ♦ **Objective** meets 0 of 3 applicable core criteria: *unable to determine consistency with goal because no goals reported, is not measurable, is not time-bound, is not results-oriented*
- ♦ **Performance Indicators** (10) meet criteria as follows:
 - ♦ 10 (100%) are *unable to measure progress toward objective because objective is too broad*
 - ♦ 10 (100%) are *consistent with objective*
 - ♦ 6 (60%) are *clear/non-technical*

Source: Developed by legislative auditor's staff from comparisons conducted of 1996-97 executive budget performance data against core criteria listed in Exhibit 3-1.

Motor Carrier Registration Program's Performance Data Need Improvement

Performance Data for Motor Carrier Registration Program Not Generally Useful for Budgetary Decision Making

The performance data reported in the 1996-97 executive budget for the Motor Carrier Registration Program generally do not provide useful information for budgetary decision making. The mission statement is not comprehensive in scope and purpose. It also does not identify all major clients and customers of the program. There are no clearly identifiable goals. The program objective is not measurable, time-bound, or specific with regard to desired end results. There are no input, efficiency, outcome, or quality performance indicators reported.

The performance indicators that are reported are only for prior years' performance. Accordingly, the performance data for this program lack critical elements useful for budgetary decision making.

The performance data for this program are presented in Exhibit 3-6 below. The results of our analysis of this program's mission, goals, objectives, and performance indicators are described in the paragraphs following the exhibit.

Exhibit 3-6

Performance Data Reported in 1996-97 Executive Budget Motor Carrier Registration Program

Mission: To provide for the regulation of intrastate common and contract carriers offering services for hire.

Goals: None identified.

Objective No. 1: To continue to assure responsible, dependable, economical transportation services in the interest of the public and the users of such services.

Performance Indicators:

Number of:

Annual reports filed	Leases filed
Citations served	License certificates issued
Companies regulated	Registration stamp orders
Hearings conducted	Single state registrations issued
In-house orders issued	Trip permits issued
Insurance filings	Vehicles inspected
Investigations conducted	Violation tickets issued
Leases canceled	

Total Collections

Source: Prepared by legislative auditor's staff using the 1996-97 executive budget.

Mission. The mission statement for the Motor Carrier Registration Program does not include all of the functions of the program. The statement also does not explain the intent of the regulation that the program performs. In addition, it does not identify all major clients or customers of the program. To make informed budget decisions, legislators need to know the major functions performed by the program as well as the clients or customers served.

We found that the mission statement for this program is consistent with the overall DPS mission statement. The statement is included in the department's operational plan and, is, therefore, organizationally acceptable. The mission statement does not, however, mention the interstate motor carrier registration function of the program. Other information in the executive budget describes this function, but the mission statement does not refer to it. To help users of the executive budget fully understand the breadth of activities undertaken by the program, the mission should be comprehensive in scope.

Also, the mission statement calls for the regulation of intrastate common and contract carriers but does not explain the intent of this regulation. For example, is it to ensure fair rates, safe operations, and reliable service? As the mission is stated, the ultimate aim of the program is not clear. To decide if the program is effective, its ultimate purpose must be understood.

The mission statement also does not include all major clients or customers of the program. The statement implies that the program's customers are regulated companies and customers of regulated companies. However, these groups, along with the general public, are not explicitly identified in the statement. The program also has an internal customer. The program staff perform work for and report to PSC. Therefore, PSC is a client or customer of the program. To be comprehensive, mission statements should include all major clients and customers of the organization.

Strategic planning, as outlined in *Manageware*, calls for the agency to develop a broad, comprehensive statement of the program's purpose. This statement should identify the basic needs or problems that the program is designed to address. The statement should also identify the client or customers the program is designed to serve. The lack of formal strategic planning by DPS may be the cause for the problems with the mission statement discussed above.

Goals and Objective. There are no clearly identifiable goals for the Motor Carrier Registration Program in the executive budget. In addition, the program objective is not measurable, time-bound, or specific about desired results. These deficiencies may mean that legislators and other users of the executive budget may not be able to determine how effectively and efficiently state money is being spent.

There are no identifiable goals in the executive budget for this program. Therefore, the legislature may not be able to determine where program managers are placing emphasis. Because of the lack of goals, we could not assess the consistency of the program objective with its corresponding goal. Goals show desired outcomes, and objectives are a baseline to which one can compare actual outcomes.

The objective for this program does not refer to a quantified target level of performance. It is, therefore, not measurable. The objective also does not specify a time frame over which the program is to attain a certain level of performance. Thus, it is not time-bound. Furthermore, the objective is rather broad in characterizing desired end results. There is no specific expectation against which to measure program performance. The broad nature of the objective makes it impossible for the program's performance indicators to measure meaningful progress toward it. Without specific, measurable, time-bound objectives, program managers have no benchmarks on which to determine progress. Also, legislators may not be able to determine how effectively or efficiently state money is being spent.

The deficiencies we identified in the Motor Carrier Registration Program's goals and objective are due to the lack of strategic planning by DPS. Strategic planning involves reviewing the organization's mission and goals and formulating specific, measurable objectives. These objectives are milestones that are necessary to realize the goals.

Performance Indicators. There are no input, efficiency, outcome, or quality performance indicators reported for the Motor Carrier Registration Program in the 1996-97 executive budget. In addition, the executive budget only contains performance indicators for prior years. The deficiencies in the performance indicators are the same as the deficiencies we identified in the Utilities Program's performance indicators. The problems these deficiencies cause are also the same as in the Utilities Program.

We found that all 16 of the performance indicators reported for this program (100 percent) are consistent with the objective. We also found that 15 of the indicators (94 percent) are clear, easily understandable, and non-technical. The one exception, the number of insurance filings, is not easily understandable. The definition of "filing" may be unclear to a lay user of the executive budget. In addition, because the objective for this program is so broad, the performance indicators cannot measure meaningful progress toward it. If the objective were improved, some of the indicators may become more useful.

Also, we noted that all 16 of the program's indicators (100 percent) are output indicators. There are no input, efficiency, outcome, or quality indicators reported. As with the Utilities Program, this means that the executive budget does not provide information about the resources used by or the efficiency, effectiveness, or excellence of the Motor Carrier Registration Program.

Finally, the executive budget only reports performance indicators for past years and not projections for the current or upcoming year. As explained in the discussion of the Administrative Program, the legislature could make more informed decisions about this program with more up-to-date information. As with the other programs, the problems with the performance indicators for the Motor Carrier Registration Program are attributable to the lack of strategic planning by DPS.

Exhibit 3-7 below shows the results of our analysis of performance data for the Motor Carrier Registration Program.

Exhibit 3-7

Comparison of Motor Carrier Registration Program's Performance Data With Core Criteria

Motor Carrier Registration Program (1 mission, 0 goals, 1 objective, 16 performance indicators)

- ◆ **Mission** meets 1 of 3 core criteria: *does not completely identify purpose, does not identify all clients, is organizationally acceptable*
- ◆ **Goals:** *none identified*
- ◆ **Objective** meets 0 of 3 applicable core criteria: *unable to determine consistency with goal because no goals reported, is not measurable, is not time-bound, is not results-oriented*
- ◆ **Performance Indicators** (16) meet criteria as follows:
 - ◆ 16 (100%) are *unable to measure progress toward objective because objective is too broad*
 - ◆ 16 (100%) are *consistent with objective*
 - ◆ 15 (94%) are *clear/non-technical*

Source: Developed by legislative auditor's staff from comparisons conducted of 1996-97 executive budget performance data against core criteria listed in Exhibit 3-1.

Rates, Economics, and Auditing Program's Performance Data Need Improvement

Performance Data for the Rates, Economics, and Auditing Program Lack Critical Elements

The performance data reported for the Rates, Economics, and Auditing Program are generally not useful for budgetary decision making. The mission statement does not identify all major clients or customers of the program. There are no clearly identifiable goals. The program objectives are not measurable or time-bound. One of the objectives does not specify desired end results. There are no efficiency, outcome, or quality performance indicators, and the executive budget only reports performance indicators for prior years. As a result of these deficiencies, the performance data do not provide complete, useful information about this program's performance.

The performance data for this program are presented in Exhibit 3-8 on the following page. The results of our analysis of this program's mission, goals, objectives, and performance indicators are described in the paragraphs below.

Mission. The mission statement for the Rates, Economics, and Auditing Program portrays a narrower focus of the program's operations than described by a program official and in state law. In addition, the mission statement does not identify all major clients or customers of the program. To make informed budget decisions, legislators need to know the major functions performed by the program as well as the clients or customers served by the program.

We did find that the mission statement is consistent with the overall DPS mission statement. In addition, it is included in the DPS operational plan. Therefore, we concluded that the mission is organizationally acceptable. However, we noted that the mission does not include all major clients or customers of the program. The mission names PSC as a customer, but regulated companies and customers of regulated companies are also clients or customers of this program. The general public is another customer of the program that is not mentioned in the mission. The problems resulting from not fully identifying clients or customers are discussed in the previous finding on the Motor Carrier Registration Program.

We also found that the program's operations as described by a program official and in state law are broader than those listed in the mission statement. The mission statement only includes reviewing, analyzing, and making recommendations on rates of return and rate increases. However, the chief economist we interviewed also mentioned conducting prudence reviews and management audits, as well as issuing surveillance reports and making recommendations on requests by utilities for permission to borrow money. Also, the program's underlying legislation authorizes it to examine the affairs of any person doing a public service or public utilities business in Louisiana concerning matters affecting services and rates charged. However, only rates of return and rate increases are mentioned in the mission statement. The mission should more fully describe the program's activities to help legislators understand the breadth of the work conducted by the program.

Exhibit 3-8**Performance Data Reported
in 1996-97 Executive Budget
Rates, Economics, and Auditing Program**

Mission: To review and analyze rates of return and rate increases proposed by regulated utilities and make recommendations thereon to the PSC.

Goals: None identified.

Objective No. 1: To continue to provide accounting and auditing assistance to PSC by analyzing financial records of utilities to determine the rate of return earned by the particular utility and its return on equity.

Performance Indicator for Objective No. 1:
Number of audit reports submitted

Objective No. 2: To take the lead in performing audits and call on the assistance of outside consultants only if necessary

Performance Indicators for Objective No. 2:
Number of management audits conducted under lead of outside consultants
Number of management audits conducted under lead of division staff
Number of outside consultants used in management audits

Source: Prepared by legislative auditor's staff using the 1996-97 executive budget.

Goals and Objectives. There are no clearly identifiable goals for the Rates, Economics, and Auditing Program in the executive budget. In addition, the objectives reported are not measurable or time-bound. As a result, users of the executive budget may not be able to determine where the program is trying to go or specific targets of desired achievement.

Because of the lack of goals, we could not assess the consistency of the program objective with its corresponding goal. We did note that the objectives are not measurable or time-bound. One of the objectives refers to the program staff "taking the lead in conducting audits." There is no specific expectation against which to measure performance for this objective.

The previous findings on the other programs discuss the cause and effects of these problems with the goals and objectives. It is important to correct these deficiencies so that users of the executive budget have complete information on expected program results and actual performance.

Performance Indicators. There are no efficiency, outcome, or quality indicators reported in the executive budget for the Rates, Economics, and Auditing Program. In addition, the executive budget only reports performance indicators for prior years. The findings on the other programs discuss the problems this causes for the legislature and other users of the executive budget.

We found that all of the performance indicators reported are consistent with the corresponding objectives. In addition, each is clear, easily understandable, and non-technical. However, as discussed previously, one of the objectives for this program does not specify desired results. Therefore, the performance indicators corresponding to this objective cannot measure progress toward it. As with the other three programs, if this objective were improved, some of the performance indicators may become more useful. The performance indicator for the other objective does measure progress toward that objective.

We noted that three of the four indicators (75 percent) are output indicators. The remaining measure is an input indicator. There are no efficiency, outcome, or quality indicators reported in the executive budget for this program. The difficulties posed by this situation are discussed in the findings on the other three programs.

Finally, as with the other three programs, we found that the executive budget only reports performance indicators for past years. It does not report indicators for the present or projected fiscal years. The legislature could make more informed decisions about this program with more up-to-date information.

As discussed in the findings on the other three programs, the lack of formal strategic planning by DPS is the cause of many problems identified with the performance data in this program. Once a formalized strategic planning process is in place, the department should be able to address these deficiencies.

Exhibit 3-9 below shows the results of our analysis of performance data for the Rates, Economics, and Auditing Program.

Exhibit 3-9
Comparison of Rates, Economics,
and Auditing Program's Performance Data
With Core Criteria

Rates, Economics, and Auditing Program (1 mission, 0 goals, 2 objectives, 4 performance indicators)

- ◆ Mission meets 1 of 3 core criteria: *does not completely identify purpose, does not identify all clients, is organizationally acceptable*
- ◆ Goals: *none identified*
- ◆ Objective (Accounting and Auditing) meets 1 of 3 applicable core criteria: *unable to determine consistency with goal because no goals reported, is not measurable, is not time-bound, is results-oriented*
- ◆ Performance Indicator (1) meets criteria as follows:
 - ◆ 1 (100%) *measures progress toward objective*
 - ◆ 1 (100%) *is consistent with objective*
 - ◆ 1 (100%) *is clear/non-technical*
- ◆ Objective (Lead Audits) meets 0 of 3 applicable core criteria: *unable to determine consistency with goal because no goals reported, is not measurable, is not time-bound, is not results-oriented*
- ◆ Performance Indicators (3) meet criteria as follows:
 - ◆ 3 (100%) *are unable to measure progress toward objective because objective is too broad*
 - ◆ 3 (100%) *are consistent with objective*
 - ◆ 3 (100%) *are clear/non-technical*

Source: Developed by legislative auditor's staff from comparisons conducted of 1996-97 executive budget performance data against core criteria listed in Exhibit 3-1.

Recommendations

3.2 DPS and OPB should work together to revise and/or expand the mission statements for the Administrative Program, the Motor Carrier Registration Program, and the Rates, Economics, and Auditing Program. If it is deemed desirable to assign a mission to each program, they should also develop a mission statement for the Utilities Program. All missions should make a clear distinction between DPS and PSC where necessary. These missions should be reported as part of the performance data in future editions of the executive budget. Specific areas needing attention are as follows:

- ♦ For the Administrative Program, regulated companies and the companies' customers should be added to the mission to reflect the customers of the district offices. However, if the district offices' function is removed from the Administrative Program and placed in a new program, a mission should be created for this new program instead.
- ♦ For the Motor Carrier Registration Program, information about the interstate motor carrier registration aspect of the program, desired outcome of regulation, and explicitly identified clients and customers should be added to the mission.
- ♦ For the Rates, Economics, and Auditing Program, the mission should correspond to the enabling legislation and other major program activities mentioned by the chief economist. It should explicitly include regulated companies, customers of regulated companies, and the general public as program customers and clients.
- ♦ The newly developed mission for the Utilities Program should be consistent with the overall DPS mission and should comprehensively include the program's purpose and clientele.

- 3.3** DPS and OPB staff should work together to develop goals for all four programs. The goals should be consistent with the program missions, provide a sense of direction on how to address the missions, and reflect the destinations toward which the programs are striving. Including information in the executive budget that shows where program managers are placing emphasis should help legislators make informed budget decisions.
- 3.4** DPS and OPB staff should work together to develop specific, measurable, and time-bound objectives for all four programs. The objectives should be consistent with the newly developed goals. Doing will provide benchmarks against which users of the executive budget can measure program results.
- 3.5** DPS and OPB should work together to develop a balanced mix of the various types of performance indicators for each of the four programs. In addition, indicators should be developed and reported for the current as well as the projected year. Explanatory information should also be included where appropriate. Providing a balanced mix of indicators should help improve accountability by showing what the program has accomplished with past resources, what it is accomplishing with current resources, and what it plans to accomplish with resources requested for the projected year. The performance indicators should also be easy to understand and free of jargon.
- 3.6** DPS and OPB staff should work together to determine which performance data is useful to legislators and other users of the executive budget and which is better suited for internal use. Only that which is useful for budgetary decision making should be included in the executive budget.

Appendix A: List of Publications Used

- California, State of--California State Auditor. *California Conservation Corps: Further Revisions Would Improve Its Performance-Based Budgeting Plan*. October 1996.
- Canadian Comprehensive Auditing Foundation. *Effectiveness: Reporting and Auditing in the Public Sector*. 1987.
- Canadian Comprehensive Auditing Foundation. *Effectiveness: Putting Theory Into Practice*. 1993.
- Craymer, Dale K. and Albert Hawkins. *Texas Tomorrow: Strategic Planning and Performance Budgeting*. October 1993.
- Government Accounting Standards Board. *Research Report-Service Efforts and Accomplishments Reporting: Its Time Has Come--An Overview*. September 1990.
- Louisiana, State of--Office of Legislative Auditor. *Louisiana's Planning, Budgeting, and Program Evaluation System*. February 1995.
- Lyndon B. Johnson School of Public Affairs/The University of Texas at Austin. *Managing for Results: Performance Measures in Government*. Conference Proceedings. March 1994.
- Minnesota, State of--Office of the Legislative Auditor. A series of reports that comment on state agencies' 1994 annual performance reports. 1995.
- Office of Planning and Budget, Division of Administration. *Manageware: A Practical Guide to Managing for Results*. January 1996.
- Office of Planning and Budget, Division of Administration. *Manageware: Strategic Management Manual for the State of Louisiana*. November 1991.
- Oregon, State of--Secretary of State Audits Division. *Service Efforts and Accomplishments*. (Report No. 95-33) August 31, 1995.
- Portland-Multnomah County Progress Board. *Portland-Multnomah County Benchmarks - Standards for Measuring Community Progress and Government Performance*. January 1994.
- Texas, State of--Governor's Office of Budget and Planning. *Instructions for Preparing and Submitting Agency Strategic Plans for the 1992-1998 Period*. January 1992.

Texas, State of--Governor's Office of Budget and Planning. *Detailed Instructions for Preparing and Submitting Requests for Legislative Appropriations for the Biennium Beginning September 1, 1993 - Executive, Administrative, Human Service and Selected Public Education Agencies.* June 1992.

Texas, State of--State Auditor's Office. *Accurate and Appropriate Performance Measures Are the Foundation of Tomorrow's Texas.* February 1992.

Texas, State of--State Auditor's Office. *Accurate and Appropriate Performance Measures Are the Foundation of Tomorrow's Texas.* June 1992.

United States General Accounting Office, Comptroller General of the United States.
Executive Guide: *Effectively Implementing the Government Performance and Results Act.* June 1996.

Appendix B

Department of Public Service's Response



Louisiana Public Service Commission

POST OFFICE BOX 91154
BATON ROUGE, LOUISIANA 70821-9154

COMMISSIONERS

Don L. Owen, Chairman
District V
Irma Muse Dixon, Vice Chairman
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Dale Sittig, Member
District IV
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Telephone:

LAWRENCE C. ST. BLANC
Secretary

BRIAN A. EDDINGTON
General Counsel &
Assistant Secretary

(MRS.) VON M. MEADOR
Deputy Undersecretary

May 2, 1997

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Analysis of Program Authority and Performance Data for Department of
Public Service

Dear Dr. Kyle:

Our Department has reviewed the subject audit in depth with Mr. Kyle S. Farrar, and Ms. Kerry E. Fitzgerald, CPA of your office, as well as staff from the Office of Planning and Budget (OPB), and we wish to offer the following comments.

According to the audit report, it is our understanding that the way we have stated our mission, goals and objectives is not in compliance with the Manageware design issued by the OPB. However, the Department of Public Service staff clearly understands what our mission is, the goals we must reach and how we are going to accomplish those goals.

We have talked with the OPB staff and requested assistance with our strategic planning. We will then make necessary changes to our operational plan and develop both input and output performance indicators that will measure more accurately all the services performed by the Department of Public Service.

We disagree with the findings that the motor carrier program be deregulated. The Federal Aviation Act of 1994 preempted state regulation of prices, routes and services of motor carriers of property, and household goods were specifically exempted from the preemption. Waste and passenger also were not included in the preemption as they

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are not considered property. The need for continued intrastate regulation in these areas was recognized at the Federal level.

Before advocating total deregulation of intrastate trucking markets, one should consider carefully the results of interstate trucking deregulation over the past few years. Whether examined in terms of safety, stability or service to the public, interstate deregulation of over-the-road freight hauling is not such a clear and shining success as to justify mandating the same approach at the state level. It is noteworthy that forty-one(41) states with widely divergent market conditions have opted to continue regulating intrastate transportation of household goods, waste and passengers, often after intense debate.

There is an accumulating body of evidence which suggests that deregulation of motor carriage has adverse side effects which must be weighed carefully. The issues at stake here are not purely economic. Important social issues, including safety, are inevitably intertwined with economic conditions in transportation, and such effects must be considered.

Given the track record of interstate deregulation, which is mixed at best, any given state rationally might opt to retain regulatory tools for improving stability and service in intrastate trucking markets. As is well known, many such markets are relatively unattractive to carriers because they involve small communities, short hauls and limited volumes of available traffic.

Congress recognized that household goods movers were a personal public service by definition of the commodity. The majority of household good shippers are not professional shippers but are COD customers that move only a few times in a lifetime. Many are senior citizens. Many are young couples just starting out. Many are under stressful situations such as death, divorce, loss of jobs, etc. These are easy prey compared to the corporation that has numerous moves a year. The COD customer can hardly afford to spend thousands of dollars to pursue the settlement of a claim or unfair charges. We receive hundreds of complaints annually regarding household good movers. These complaints show numerous instances of customers being quoted a price on the phone and then forced to pay as much as five (5) times that amount before the mover will unload their belongings. If the customer refuses, the unscrupulous mover simply takes the furniture to a warehouse and holds it hostage until the consumer pays the exorbitant fee. Without the Public Service Commission authority to regulate the household good carriers, the consumer would have no recourse.

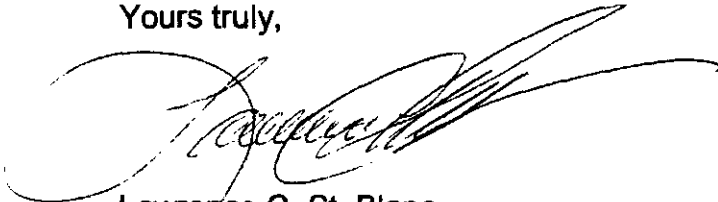
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Daniel G. Kyle, Ph.D., CPA, CFE

Regulation or deregulation is relative and a matter of degree. The test of whether good or bad is whether the best interest and protection of the public is served. We see a continuing need for regulation to some degree.

We appreciate the opportunity to make written comments to this management audit and will accept this audit as a guide for future improvements to our operational plan.

Yours truly,

A handwritten signature in black ink, appearing to read "Lawrence C. St. Blanc". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail that extends to the right.

Lawrence C. St. Blanc
Secretary

Appendix C

Office of Planning and Budget's Response



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF PLANNING AND BUDGET

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

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April 23, 1997

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Analysis of Program Authority and Performance Data for Department of Public Service

Dear Dr. Kyle:

Thank you for the inclusion of members of our staff in the pre-exit and exit conferences for your office's performance audit of the Department of Public Service as well as this opportunity to respond to the audit report, Department of Public Service Analysis of Program Authority and Performance Data.

Our office agrees with audit recommendations regarding ways to improve the department's planning and performance accountability. As you are aware, the Office of Planning and Budget maintains a standing offer to all state agencies of training and technical assistance in planning, budgeting, and performance accountability. Department of Public Service executives have recently discussed such training and technical assistance with our staff, and we anticipate working with the department over the course of this summer to help them undertake departmentwide strategic planning, make appropriate changes to the department's operational plan, and develop better performance indicators.

Sincerely,

Stephen R. Winham
State Director of Planning and Budget

SRW/CSL

c: Lawrence C. St. Blanc, Executive Secretary
Public Service Commission