

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of the Treasury:
Analysis of Program Authority
and Performance Data

April 1988



Performance Audit Division

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

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

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

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April 8, 1999

The Honorable Randy L. Ewing,
President of the Senate
The Honorable H. B. "Hunt" Downer, Jr.,
Speaker of the House of Representatives

Dear Senator Ewing and Representative Downer:

This report gives the results of our performance audit of the Analysis of Program Authority and Performance Data of the Department of the Treasury and its related boards and commissions. The report includes information on the State Employees Group Benefits Program, the Interior Emergency Board, and the four state retirement systems, all of which have been legislatively assigned to the department with retention of certain functions. 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 F contains the department's response, Appendix G contains the Interior Emergency Board's response, Appendix H contains the State Employees Group Benefits Program's response, Appendix I contains the four state retirement systems' responses, and Appendix J contains the Division of Administration, Office of Planning and Budget's responses. I trust that this report will be of use to you in your legislative decision-making process.

Sincerely,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

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Office of Legislative Auditor

Executive Summary

Performance Audit Department of the Treasury: Analysis of Program Authority and Performance Data

Performance data reported for the Department of the Treasury and the State Employee Group Benefits Program (SEGFP) in the 1997-98 executive budget may not enable users of the budget to document progress made by the associated programs. They also may not be useful to legislators for making informed budgetary decisions. Some of the deficiencies in the data that cause this lack of usefulness are:

- The missions and goals reported for the department's budget units and programs are generally consistent with the constitutional provisions and statutes authorizing them. However, there is no departmental mission reported, which would provide a context for the performance data of the individual programs. Also, the mission for the Financial Accountability and Control Program does not address the internal management functions of that program.
- The SEGFP program mission and goal are generally consistent with the underlying legislation that creates the program. However, the mission erroneously casts active employees as customers of the program. The mission is also not consistent with the overall constitutional purpose of the Department of the Treasury, indicating that the program may not belong in the department.
- The mission for the Intense Emergency Board (IEB) is not consistent with the overall constitutional mandate of the Department of the Treasury, indicating that IEB may not belong in the department. Also, the executive budget does not report any goals, objectives, or performance indicators for the IEB, so its performance cannot be determined.
- Few of the objectives reported for the department provide specific, measurable target levels of performance. The same is true for the SEGFP.
- The four state retirement systems have not yet developed performance data as required by R.S. 24-512(D)(2). Although the retirement systems are not included in the executive budget because they submit their budgets to the Joint Legislative Committee on the Budget, R.S. 24-512(D)(2) does require them to develop performance data.

In addition, according to a performance audit report this office issued in 1985, the potential for duplication exists in the administrative and investment functions of the four state retirement systems. We also identified two outmoded provisions in state law pertaining to the State Board Commission. These areas should be reviewed further.

**Audit
Initiation
and
Objectives**

The Office of Legislative Auditor conducted this performance audit in response to certain requirements of Louisiana Revised Statute (R.S.) 14:322. This law requires us to evaluate the basic assumptions underlying all state agencies, programs, and services. The law also requires us to make annual recommendations relative to the effectiveness and efficiency of programs and services provided. To address these directives for the Department of the Treasury and the State Employees Group Benefits Program (SEGBP), whose oversight board is statutorily placed within the department, we analyzed the program authority and performance data reported in the 1997-98 executive budget for the department and SEGBP. We also searched for programs, functions, and activities that may be potentially overlapping, duplicative, or omitted.

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

- Determine if the department's and SEGBP's missions and goals as reported in the fiscal year 1997-98 executive budget are consistent with legislative intent and legal authority
- Determine if the department's and SEGBP's missions, goals, objectives, and performance indicators as reported in the fiscal year 1997-98 executive budget are consistent with established criteria
- Determine if the department's and SEGBP's objectives and performance indicators as reported in the fiscal year 1997-98 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 omitted

**All But Three
Missions and All
Goals Align With
State Law**

The missions reported in the 1991-98 executive budget for budget units and programs of the department and SGBP are generally consistent with state law, with three exceptions. In addition, all reported goals align with state law. This means that, for the most part, the executive budget reports the programs as they are legally authorized. The three exceptions are discussed below.

**Financial Accountability and Control Program
Mission Is Incomplete**

The first exception we noted is that the mission for the Financial Accountability and Control Program does not acknowledge the program's internal management functions. According to R.S. 38:766(B), these functions are assigned to the Office of Management and Finance, which generally correlates with the Financial Accountability and Control Program. Because these functions are not included in the mission, users of the executive budget may not understand the full scope of this program's activities.

Recommendation

- 2.1 With the assistance of the Office of Planning and Budget, the department should broaden the mission of the Financial Accountability and Control Program to address the internal management functions the program performs. This could be accomplished by adding a few words to the mission addressing management functions in general. An expanded mission would give readers of the executive budget more complete information about the program's scope and clients.

**SGBP Mission Omits Active Employees as Clients and
Is Inconsistent With Department's Purpose**

The second exception deals with the mission for the State Group-Benefits Program within the State Employees Group-Benefits Program budget unit (SGBP). We identified two problems with the mission. First, the mission says that the program provides health and accident and life insurance benefits for retirees.

However, R.S. 42:831(A)(2)(a)(i) and R.S. 42:831(A)(2)(a)(ii) extend these benefits to active employees, as well. Because active employees are excluded from the mission, users of the executive budget may not fully understand which customers this program serves.

We also noted that the SGRP mission is inconsistent with the Department of the Treasury's purpose as stated in the state constitution. The constitution provides that the treasurer is responsible for administering all laws relating to the custody, investment, and disbursement of the public funds of the state, except as otherwise provided. This provision makes no mention of providing health, life, and accident benefits.

Matter for Legislative Consideration

- 2.1** Because it is inconsistent with the Department of the Treasury's purpose as established in the state constitution, the legislature may wish to transfer the State Employee Group Benefits Program to another agency whose purpose is more consistent with the program's mission.

IEB Mission Is Inconsistent With Department's Purpose as Constitutionally Stated

Finally, we identified an exception dealing with IEB. The mission of the IEB's Administrative Program is supported in law. However, as with SGRP's mission, IEB's mission is not consistent with the department's purpose as set forth in the state constitution. As a result, IEB may not be properly placed within the Department of the Treasury.

Matter for Legislative Consideration

- 2.2** Because it is inconsistent with the Department of the Treasury's purpose as established in the state constitution, the legislature may wish to transfer the Interim Emergency Board to another agency whose

purpose is more consistent with the board's mission. Another possibility is to include it as a separate budget entity within the legislative appropriation bill.

Retirement Systems May Have Duplicative Functions

Based on a performance audit we issued in 1993, potentially duplicative functions in the areas of administration and investment may exist among the four state retirement systems. The four state retirement systems and their boards are as follows:

1. Louisiana State Employees' Retirement System and its Board of Trustees
2. Teachers' Retirement System of Louisiana and its Board of Trustees
3. Louisiana School Employees' Retirement System and its Board of Trustees
4. State Police Pension and Retirement System and the State Police Retirement Board

If duplication is occurring, the systems may be using more resources than necessary to provide services. In addition, system officials and legislators may be making decisions without full knowledge of the interaction among all programs and entities.

Matter for Legislative Consideration

- 1.3 The legislature may wish to consider updating studies to determine whether any state retirement system functions, such as administrative and investment functions, are currently duplicative. Such an updated study should address whether it would be desirable or cost-effective to combine any functions found to be duplicative.

Two Statutory Provisions May Be Outdated

We identified two provisions in state law that may be outdated. They are R.S. 39:465.3 and R.S. 39:466.3. These two provisions set up dedicated sales taxes to retire bonds issued by a commission that has been abolished and an authority that has been repealed. Because these two entities no longer exist, the statutory provisions related to them may be outdated. If the laws are outdated, they could be confusing to persons trying to understand the department's activities.

Recommendation

- 1.1 The Department of the Treasury should review the statutory provisions related to any abolished or repealed entities to determine if any of these provisions may be outdated. They should also determine whether they should draft legislation to amend or repeal these provisions that are outdated. Retaining outdated statutory provisions will help avoid confusion for persons trying to understand all activities of the department.

Matter for Legislative Consideration

- 1.4 The legislature may wish to consider repealing R.S. 39:465.3 and R.S. 39:466.3 if the provisions are no longer needed. The legislature may also wish to direct a review of other sections of the revised statutes to determine if there are other outdated provisions that should be amended or repealed. Retaining outdated provisions in state law could be confusing to persons trying to understand all activities of the department.

Analysis Conducted on Performance Data

We evaluated the performance data reported for five programs within two budget units listed under the Department of the Treasury and one program listed under the State Employees Group Benefits Program budget unit in the 1997-98 executive budget against a set of established criteria.

The 1997-98 executive budget does not report an overall departmental mission for the Department of the Treasury. The executive budget does report a mission for the Office of State Treasurer budget unit. We evaluated that mission and used it as the higher-level mission in assessing the six individual program missions that are included in the executive budget. In total, we assessed seven missions, seven goals, 12 objectives and 112 performance indicators to determine if they provide sufficient information for budgetary decision making.

The 1997-98 executive budget does not report performance data for the four state retirement systems. The retirement systems were transferred to the Department of the Treasury by R.S. 34:769 but operate independently of the department. The state budgetary process does not apply to the retirement systems' operating budgets. Instead, the systems are required by R.S. 39:21(B) to submit their budgets to the Joint Legislative Committee on the Budget.

As previously stated, the Department of the Treasury does not have a departmental mission reported in the 1997-98 executive budget. Without a departmental mission, users of the executive budget cannot determine the purpose of the department or the customers it is intended to serve.

**No Departmental
Mission Reported
in 1997-98
Executive Budget**

Recommendation

- 3.1 **Department of the Treasury and Office of Planning and Budget** staffs should work together to ensure that the overall mission for the department is included in the executive budget. Implementing this recommendation will help executive budget users understand the relevance of the performance data reported for the individual programs as they relate to the department purpose and clientele.

**Office of State
Treasurer
Mission Meets
Established
Criteria**

As previously mentioned, the 1997-98 executive budget does report a mission for the Office of State Treasurer budget unit. This mission meets all of the established criteria and therefore provides useful information.

The mission states the primary purpose of the department: the receipt, custody, investment, and disbursement of public funds. The mission also identifies the state as the customer of the department. In addition, the department's operational plan includes language similar to this mission statement. Therefore, we concluded that the mission is organizationally acceptable. As a result, legislators and other users of the executive budget can tell what the purpose of the department is and whom the department is supposed to serve.

**Objectives and
Performance
Indicators for
Office of State
Treasurer
Administrative
Program Need
Improvement**

The mission and goal reported in the 1997-98 executive budget for the Office of State Treasurer Administration Program meet all of the established criteria and therefore provide useful information about the purpose and direction of the program. However, the reported objectives and performance indicators are not useful for budgetary decision making because they provide little information about program progress and achievements.

For instance, several of the objectives are not specific, and none are measurable or timebound. In addition, our assessment of the four items reported as outcome indicators shows that only one is directly related to the program's objectives, and it is an output, not an outcome. Therefore, the executive budget does not report a mix of performance indicators for this program. In addition, the sole indicator that relates to the program objectives does not show progress made toward any of the objectives. Also, the reported objectives and performance indicator do not address personnel management, a statutorily established function. For these reasons, the objectives and performance indicators do not give complete and useful information about program progress and achievements for use in budgetary decision making.

Recommendation

- 3.1 Department of the Treasury and Office of Planning and Budget staffs should work together to ensure that the specific deficiencies identified for the Administrative Program are corrected. Specifically, they should concentrate on developing:
- Objectives that are specific, measurable, and timebound. Objectives with these characteristics provide clear information about exactly what the program intends to accomplish within a certain time period.
 - Performance indicators that directly relate to and measure progress toward the objectives. This will allow users of the executive budget to see whether desired levels of accomplishment are being achieved.
 - A mix of the various types of performance indicators (i.e., input, output, outcome, efficiency, and quality) to show all aspects of performance, including at least one outcome indicator for each objective.
 - Performance data for the personnel function, if deemed necessary or useful. They should also determine whether this data should be reported externally in the executive budget and/or supporting documents or maintained internally for use as a management tool. Developing performance data for this function would help program managers and others see performance and accomplishments made in this area.

Financial Accountability and Control Program's Performance Data Need Improvement

The Financial Accountability and Control Program's mission that is reported in the 1997-98 executive budget meets all the established criteria. However, the remainder of the performance data need improvement.

First, the program has no goals reported. Second, none of the reported objectives meet all of the established criteria. In particular, none are measurable or timebound. Third, the program does not have a mix of performance indicators reported. In addition, since the objectives are not measurable, none of the indicators measure progress toward them. Also, two indicators are not consistent with the objectives, and three are unclear and hard to understand. Also, the missions, objectives, and performance indicators do not address any of the program's administrative functions set forth in state law. As a result of these deficiencies, the performance data do not provide sufficient information to enable legislators to make informed decisions about this program's progress or accomplishments.

Recommendation

- 3.3 Department of the Treasury and Office of Planning and Budget staffs should work together to ensure that the specific deficiencies identified for the Financial Accountability and Control Program are corrected. Specifically, they should concentrate on:
- Developing goal(s) that relate to the program mission and say how the mission will be addressed. Including goals in the executive budget and/or supporting document will help communicate the direction of the program.
 - Determining for which major administrative functions objectives and performance indicators should be reported in the executive budget and/or supporting document. Some of these objectives and indicators might address accounting and budget control, procurement control, procurement and contract management, management and program analysis, data processing, and/or grants management. The decision on which ones to report in the executive budget and/or supporting document should be

based on the usefulness of the data to legislators and other users of the documents for budgetary decision making.

- c. Making the objectives measurable and timebound. That is, the objectives should state specific levels of desired performance and timetables for accomplishment.
- d. Developing performance indicators that measure progress made toward achieving the objectives. If the objectives are made measurable, as discussed in 3.2(c), developing indicators that measure progress toward them should be easier.
- e. Making sure that all performance indicators are consistent with the objectives. That is, each indicator should directly correspond to a particular objective.
- f. Ensuring that all performance indicators are clear and easily understood. Unusual acronyms should be defined or not used.
- g. Developing a mix of performance indicators to be reported in the executive budget, including at least one outcome indicator for each objective.

Implementing this recommendation will help provide clearer and more complete information to legislators and others for use in budgetary decision making.

Debt Management Program Performance Data Need Improvement

The performance data reported in the 1991-98 executive budget for the Debt Management Program provide some useful information for budgetary decision makers. However, the mission and goals are incomplete. In addition, the objectives and performance indicators provide little information about targeted levels of accomplishment and progress made toward those targets. For instance, two objectives are made up of multiple parts, which would be more specific and meaningful if they were split into separate objectives. Also, most of the objectives are not measurable or timebound, and less than 3% of the performance indicators measure progress toward the objectives. There are also no outcome or efficiency indicators reported for this program, and some indicators are unclear and hard to understand. For these

reasons, the performance data do not collectively provide enough information to allow an external user to make informed decisions about program performance.

Recommendation

3.4 Department of the Treasury and Office of Planning and Budget staffs should work together to ensure that the specific deficiencies we identified for the Debt Management Program are corrected. Specifically, we recommend that they:

- a. Update the mission to clearly identify the program's customers.
- b. Add language to the goals that will show a sense of direction as how to address the program mission.
- c. Ensure that all objectives are measurable and timebound. They should provide specific levels of desired performance and timetables for accomplishment.
- d. Split Objectives #1 and #2 into two and three objectives, respectively. This would make each objective more specific and describe the exact results that are sought. Splitting these objectives will also help ensure that performance indicators relate more directly and easily to the objectives, resulting in better measurement of progress made toward each of the objectives.
- e. Ensure that all performance indicators are consistent with the objectives and measure progress made toward the objectives. In particular, each indicator should correspond to a particular objective and should show whether that objective has been accomplished.
- f. Ensure that all performance indicators are clear and easily understood.
- g. Include a mix of performance indicators in the executive budget and/or supporting documents that covers all aspects of the program's

performance, including at least one outcome indicator for each objective.

Implementing this recommendation would help provide clearer and more complete information for legislators and others to use in budgetary decision making.

Objectives and Performance Indicators for Investment Management Program Need Improvement

The Investment Management Program's mission and goals as reported in the 1977-98 executive budget meet all of the established criteria. However, the objectives do not. None of the objectives are measurable or timebound, and five have no corresponding performance indicators reported. In addition, the program does not have a mix of performance indicators reported. Also, none of the indicators that are reported measure progress toward the objectives. For these reasons, the objectives and performance indicators do not collectively provide sufficient information about program performance to use in budgetary decision making.

Recommendation

- 4.5 Department of the Treasury and Office of Planning and Budget staffs should work together to ensure that the specific deficiencies we identified for the Investment Management Program are corrected. Specifically, we suggest that:
- All objectives reported in the executive budget and/or supporting document should be measurable and timebound. That is, they should contain specific target levels of desired performance and timetables for accomplishment. This will ensure that the objectives convey exactly what the program plans to achieve by certain dates. The objectives should also be consistent with the program goals.
 - All performance indicators should measure progress made toward achieving the stated objectives. The executive budget and/or

supporting document should also include a mix of performance indicator types to convey all aspects of program performance, including at least one outcome for each objective.

- c. Performance indicators reported in the executive budget and/or supporting document should be presented clearly, in a comprehensive table format, with explanatory data included at the end of the table, as suggested by GAOB.

Implementing this recommendation will help provide clearer and more complete information about program performance to legislators for use in budgetary decision making.

Little Performance Data Reported for Interim Emergency Board

The performance data reported in the 1997-98 executive budget for the IEB Administrative Program provide little information that is useful for determining program accomplishments. The only piece of performance data reported is a mission. The mission provides useful information because it meets all criteria. However, because no goals, objectives, or performance indicators are reported, the accomplishments of the program cannot be determined.

Recommendation

- 1.e. Interim Emergency Board and Office of Planning and Budget staffs should continue to work together to ensure that the specific deficiencies we identified for the IEB Administrative Program are corrected. Specifically, we recommend that they develop:
 - a. Goals that relate to the program mission and provide information on how the mission will be achieved.
 - b. Objectives that relate to the program goals and set specific, measurable, timebound targets for accomplishment.

- d. Performance indicators that relate to the program objectives and measure progress toward achieving the objectives.

Implementing this recommendation will help provide clearer and more complete information about the BSB's performance for use in budgetary decision making.

State Group Benefits Program Performance Data Need Improvement

The performance data reported in the 1997-98 executive budget for the State Group Benefits Program need improvement. The mission meets most of the criteria but does not name all major customers and is not consistent with the mission of the Office of State Treasurers. The goal is incomplete because it does not address life insurance protection. The objective is actually three separate objectives combined into one, and it is not measurable or timebound. Also, the executive budget does not report a mix of performance indicators. Because of these deficiencies, the performance data may not be useful for budgetary decision making.

Recommendation

- 1.7 State Group Benefits Program and Office of Planning and Budget staffs should work together to ensure that the specific deficiencies we identified for the State Group Benefits Program are corrected. Specifically, they should ensure that:
 - a. The mission identifies all of the customers, including current governmental employees, served by the program.
 - b. The goal addresses life insurance, a major program responsibility, as well as the other mandated coverages.
 - c. The objective is split into three separate objectives. Each one should be measurable and timebound, and each one should have performance indicators associated with it. The staffs may also wish to develop other objectives, as well.

- d. The performance indicators measure progress made toward achieving the objectives. Each indicator should clearly relate to a particular objective, and there should be a mix of performance indicators reported, including at least one outcome indicator for each objective.

Implementing this recommendation would help provide clearer and more complete information to legislators for use in budgetary decision-making.

Retirement Systems Need Performance Data

The four state retirement systems are required by Act 1108 of 1995 (R.S. 24-522) to develop performance data. The officials of all four systems acknowledged that this provision of Act 1108 does apply to the retirement systems. They said that they do have data available on investment returns, but they have not formally developed performance data that comply with Act 1108. Without goals, objectives, or performance indicators, it is difficult to determine the performance of the retirement systems' operations.

The retirement systems are not subject to the same budget process as the department. Instead they are required by R.S. 29-51(R) to submit their annual operating budgets to the Joint Legislative Committee on the Budget.

Recommendation

- 3.8 The staff of the four state retirement systems should develop performance data (including missions, goals, objectives, and performance indicators) that are in conformity with the criteria listed in Exhibit 3-4. They should seek input from their legislative oversight committees as to types of performance data desired. Implementing this recommendation would help ensure compliance with the mandates of R.S. 24-522(D)(2). It would also help ensure the usefulness of the data to those legislators charged with overseeing the systems.

Matter for Legislative Consideration

- 3.1 The legislature may wish to require that the four state retirement systems report performance data to the Joint Legislative Committee on the Budget as part of their annual budget submission. The legislature may also wish to require that the performance data be reported to the House and Senate Retirement Committees. This would provide the legislative oversight bodies with detailed information on the operational performance of the systems for use in the committees' oversight and budgetary responsibilities.

Chapter 1: 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 the Treasury (including the State Employees Group Benefits Program (SEGBP), whose board of trustees was recently transferred to the department) 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 1984, 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 executive branch departments addressing the following objectives:

- Determine if the department's and SEGBP's missions and goals as reported in the fiscal year 1997-98 executive budget are consistent with legislative intent and legal authority
- Determine if the department's and SEGBP's missions, goals, objectives, and performance indicators as reported in the fiscal year 1997-98 executive budget are consistent with established criteria
- Determine if the department's and SEGBP's objectives and performance indicators as reported in the fiscal year 1997-98 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 unneeded

Report Conclusions

Article IV, Section 9 of the Louisiana Constitution of 1994 creates the Department of the Treasury. This provision stipulates the state treasurer as head of the department. It also says that the treasurer shall be responsible for the custody, investment, and disbursement of the public funds of the state.

State law [R.S. 36:751(C)(1)] defines four offices for the department. We also identified 19 state boards, commissions, and other entities that are related to the department. Several of these entities (including the Interim Emergency Board (IEB), the Board of Trustees of the State Employees Group Benefits Program, and the four state retirement systems and their oversight boards) have been statutorily transferred to the Department of the Treasury. However, state law allows all of the transferred entities to independently retain certain duties, functions, and responsibilities, with the treasurer serving as a board member in most cases.

The 1997-98 executive budget presents the Department of the Treasury as five programs under two budget units. The State Group Benefits Program (SGBP) is shown in the executive budget under a separate budget unit called Auxiliary Appropriations.

According to the Office of Planning and Budget within the Division of Administration, the Department of the Treasury's 1997-98 appropriation for its two budget units is approximately \$5.1 million with 49 staff positions. The department's total expenditures for 1996-97 were approximately \$3.3 million. SGBP was appropriated more than \$40 million and authorized 158 positions for 1997-98.

The mission and goals reported in the 1997-98 executive budget for the Department of the Treasury are generally consistent with the constitutional provisions and statutes authorizing them. However, the mission for the Office of Financial Accountability and Control Program does not address the internal management functions of the office.

The SGBP mission and goal are generally consistent with the underlying legislation that creates the program. However, the mission does not name all of its major client groups and is not consistent with the overall constitutional purpose of the Department of the Treasury. Also, the mission for the IEB is not consistent with the overall constitutional mandate of the department.

According to a performance audit report this office issued in 1993, the potential for duplication exists in the administrative and investment functions of the four state retirement systems. We also identified two outdated provisions in state law pertaining to the State Bond Commission. These areas should be further reviewed.

Overall, we found that the performance data reported in the 1997-98 executive budget for the department could be improved. Most of the missions and goals provide some useful information about the purpose and clientele of the department's programs and how their missions will be addressed. However, the objectives and performance indicators generally do not provide information on program progress. Specifically, few of the objectives provide specific, measurable target levels of performance, and few of the performance indicators show progress made toward those targets. We found the same to be true of the performance data reported for SGBP. The report includes recommendations for improving the quality of the performance data.

The four state retirement systems are not subject to the executive budget process. Instead they are statutorily required to submit their operating budgets to the Joint Legislative Committee on the Budget. Although required to do so by R.S. 24:522(D)(2), the systems have not yet developed performance data.

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, in part, to 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 outdated 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 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. 24:512, we have issued this report that examines the legal authority for the Department of the Treasury's programs and services. This report also examines the program information contained in the fiscal year 1997-98 executive budget and builds on the need for better planning. As previously mentioned, similar performance audit reports have been issued on some executive branch departments, with others yet to be issued.

State law (R.S. 49:193 et seq.) also requires agencies to provide the legislature with certain information to justify their existence in order to continue. 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.

Furthermore, state law 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."

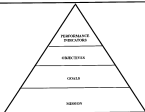
Program Budgeting and Strategic Planning Focus on Outcomes

Act 814 of the 1987 Regular Legislative Session, which amended and reenacted R.S. 39-61 and 43, required the state to adopt a program budgeting system beginning in fiscal year 1988-89. Currently, R.S. 39-38 requires the executive budget to be in a format that clearly presents and highlights the programs operated by state government. According to *Admagsware*, 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. *Admagsware* 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. Act 1465 of the 1997 Regular Legislative Session enacted R.S. 29-31. This law requires each state department to engage in the strategic planning process, produce a strategic plan, and submit it to the commissioner of administration and the appropriate legislative oversight committee by July 1, 1998. Program budgeting involves the development of missions, goals, objectives, and performance indicators. These factors are components of the strategic planning process.

Exhibit 1-3 on page 6 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 affairs's staff using a similar diagram in *Management*.

Management 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, *Managerscore* 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.

Managerscore also points out the benefits of program budgeting. According to *Managerscore*, program budgeting streamlines the budget process. *Managerscore* 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 *Management*.

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 is presented for informational purposes only. However, in the future, it will serve as a starting point for the full implementation of performance based budgeting.

According to Act 1465 of the 1997 Regular Legislative Session, which amended R.S. 39:87.1 through 87.4, key objectives and key performance indicators that are contained in the General Appropriation Act will be included in the agency's appropriation. In addition, each agency will be required to provide quarterly performance progress reports. The agency's appropriation will be issued conditioned upon the agency preparing and submitting these reports.

**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 budget¹, must include recommendations for appropriations from the state general fund, dedicated funds, and self-generated funds.

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

Act 1403 of the 1993 Regular Legislative Session amended and renumbered R.S. 39:36 to require 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 key objective or objectives of each program,
- (2) clearly defined indicators of the quantity and quality of performance of the key objective or objectives of each program and a listing of the key indicators of performance in achieving program objectives, and
- (3) a description of the major programmatic and financial changes by program or budget unit for the ensuing fiscal year.

OMB 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. Act 1403, which also amended and renumbered other portions of Title 39, requires each budget unit to submit operational plans as a part of its budget request. Operational plans also report 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.
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 workload 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 request.

According to *Management*, 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 OPI, the Legislative Fiscal Office, and the Joint Legislative Committee on the Budget.

For the 1997-98 fiscal year, OPI prepared and published several volumes of the executive budget using the departments' budget request packages. In this executive budget, the financial information was presented along with the 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.

Act 1400 also amended and renumbered R.S. 39:36 to require OPR to prepare a document known as the supporting document. The supporting document must conform to the executive budget. It must also contain other detailed financial and programmatic information about the programs, budget units, and departments.

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 and then it moves to the Senate Finance Committee. 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. OPR 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, OPR reports to the state departments any amendments made by the legislature. The state constitution allows the governor to veto any line item in the appropriations bill. A veto can be overridden by a two-thirds vote of the legislature. Exhibit 1-2 on page 12 illustrates the executive budget and appropriation processes.

Exhibit 1-2

Executive Budget and Appropriation Process



² The governor has line-item veto power.

Source: Prepared by legislative auditors' staff using state law, *Mississippi, and Maine Legislative Services - State and Local Government in Louisiana: An Overview* (December 1995).

Scope and Methodology

Overview. This performance audit of the Department of the Treasury's and SFGSP's program information was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1994, 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.

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 1997-98 executive budget program information of the Department of the Treasury. This information included the Inflation Emergency Board (IEB), which was transferred to the department by R.S. 36:769(C). The board is presented as a budget unit of the department. We also included the State Group Benefits Program (SGBP), for which performance data is reported under "Auxiliary Appropriations" in the executive budget. The Board of Trustees for this program was transferred to the department by R.S. 36:769(G).

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

- *Management* published by the Office of Planning and Budget (1991 and 1996 editions)
- *Research Report - Service Efforts and Accomplishments Reporting: As Time Has Come, An Overview* published by the Governmental Accounting Standards Board (GASB) (1993)
- *Executive Guide: Effectively Implementing the Government Performance and Results Act* published by the U.S. General Accounting Office (June 1995)
- Various reports by the Canadian Comptroller 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 (FOMB), 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 OPR, the Department of the Treasury, SEGBP, IEB, and the four state retirement systems regarding their budget processes.

Legal Basis for Missions and Goals. We searched the state constitution and state and federal laws to determine whether there is legal authority for the missions and goals of the department's and SEGBP's programs. We also reviewed constitutional provisions and applicable laws to determine legislative intent related to the creation of the department and SEGBP and the functions that the department, its programs, and SEGBP are intended to perform. In addition, we reviewed and organized data obtained from the department and SEGBP on their structure, functions, and programs. We also interviewed key personnel about these issues. We included within the scope of our detailed audit work two related boards, commissions, and like entities for which performance data was reported in the executive budget (IEB and the State Bond Commission). We also prepared a listing, which is contained in Appendix B, of all related boards, commissions, and like entities we identified, regardless of whether funding was recommended through a specific line item.

Comparison of Performance Data to Criteria. We developed criteria against which to compare the department's missions, goals, objectives, and performance indicators as reported in the 1997-98 executive budget. To help develop these criteria, we gathered information from GASB, OMB, the Urban Institute, and *Management*. During our criteria development process, we obtained 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, related entities, and OPR. We did not assess the validity or reliability of the performance indicators.

Although other documents contain performance data on the department, we only compared the missions, goals, objectives, and performance indicators reported in the executive budget to the criteria. This decision was made because the executive budget is

the submission of OPE'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.

Potential Overlapping, Duplicative, or Outmoded Areas. Finally, we reviewed the program descriptions and legal authority for the department's and SIGOP's programs and related boards, commissions, and like entities to identify areas that appeared to be overlapping, duplicative, or outmoded. We also discussed areas of potential overlap, duplication, and outmodedness with agency officials. 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, because 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 programs, functions, and activities that appear to be duplicative or outmoded should be assessed in

more detail to determine whether they are truly duplicative or outmoded. Once these assessments are completed, the legislature may decide whether any of these programs, functions, or activities 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.
- Officials at all four state retirement systems, as well as the department, expressed concern that the treasurer's oversight responsibilities with respect to the systems are not well defined. In particular, they said that one statute outlining the treasurer's relationship to the state systems, R.S. 38:581.3, is unclear. The four systems include the Louisiana State Employees' Retirement System, the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, and the State Police Pension and Retirement System.
- As a political subdivision, the Louisiana Housing Finance Authority and its associated board of commissioners do not fall within the scope the Louisiana Performance Audit Program as defined by R.S. 24:522(B). Furthermore, they are not subject to executive budget reporting requirements outlined in Chapter 59 of the Louisiana Revised Statutes. The legislature may wish to determine whether this entity, and its board is, or should be, reporting performance data to the legislature or a state agency through another means. Performance data would include missions, goals, objectives, and performance indicators.
- We identified 37 currently authorized special funds with zero balances as of December 31, 1993. No revenues or expenditures were reported for these funds in fiscal year 1994-95. A Treasury official said that many of these funds have had no activity for

several years. We list these funds in Appendix E. The legislature may wish to review this appendix and determine if these funds are still needed.

Report Organization

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

- **Chapter 2** describes the Department of the Treasury (including the IEB) and SEGBP. This chapter also gives the legal authority for the department and its programs and for SEGBP, as well as other information that describes the department and related boards, commissions, and other entities. This chapter also compares the missions and goals reported for the department and SEGBP in the 1997-98 executive budget to their legal authority. In addition, this chapter discusses programs, functions, and activities that appear to be duplicative or outmoded. We did not identify any programs that appear to be overlapping.
- **Chapter 3** gives the results of our comparison of the department's and SEGBP's missions, goals, objectives, and performance indicators as reported in the 1997-98 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** is a list of references used for this study.
- **Appendix B** is a listing of related state boards, commissions, and other entities that we identified.
- **Appendix C** compares the missions and goals of the department and SEGBP to their legal authority.
- **Appendix D** is the performance data reported in the 1997-98 executive budget for the Department of the Treasury and State Employees Group Benefits Program.

- **Appendix E** is a listing of 37 currently authorized funds with zero balances as of December 1, 1997, that we identified as a matter for further study.
- **Appendix F** is the Department of the Treasury's response to this report.
- **Appendix G** is the Interim Emergency Board's response to this report.
- **Appendix H** is the State Employees Group Benefits Program's response to this report.
- **Appendix I** contains the four state retirement systems' responses to this report.
- **Appendix J** is the Division of Administration, Office of Planning and Budget's response to this report.

Chapter 2: Department Overview

Chapter Conclusions

Article IV, Section 9 of the Louisiana Constitution of 1974 creates the Department of the Treasury. This provision names the state treasurer as head of the department. It also says that the treasurer shall be responsible for the custody, investment, and disbursement of the public funds of the state.

State law (R.S. 26:741(C)(1)) defines four offices for the department. They are the Executive Office of the State Treasurer, the Office of Management and Finance, the Office of the State Bond Commission, and the Office of State Depository Control and Investment. In addition to these statutory offices, we identified 19 boards, commissions, and other entities that are related to the department. Several of these entities [including the Internal Emergency Board (IEB), the Board of Trustees of the State Employee Group Benefit Program, and the four state retirement systems and their oversight boards] have been statutorily transferred to the Department of the Treasury. However, state law allows these entities to independently retain certain duties, functions, and responsibilities, with the state treasurer serving as a board member in most cases.

The 1997-98 executive budget presents the Department of the Treasury as two budget units. The Office of State Treasurer budget unit contains four programs including one covering the functions of the State Bond Commission. The IEB budget unit contains one program. In addition to the Treasury's two budget units, the State Group Benefit Program (SGBP) is shown in the executive budget under a separate budget unit called Ancillary Appropriations.

According to the Office of Planning and Budget within the Division of Administration, the Department of the Treasury's appropriation for its two budget units for fiscal year 1997-98 is approximately \$5.2 million with 49 staff positions. The department's total expenditures for 1996-97 were approximately \$3.3 million. SGBP was appropriated more than \$148 million and authorized for 358 positions for 1997-98.

The missions and goals reported for budget units and programs of the Department of the Treasury in the 1997-98 executive budget are generally consistent with the constitutional provisions and statutes authorizing them. However, we identified one exception. The mission for the Office of Financial Accountability and Control does not address the internal management functions of the office.

The SCBP mission and goal are consistent with the underlying legislation that creates the program. However, the mission does not name all major client groups and is not consistent with the overall constitutional purpose of the Department of the Treasury. Also, the mission for the IEB is consistent with its legal authority, but it is not consistent with the overall constitutional mandate of the department.

According to a performance audit report this office issued in 1993, the potential for duplication exists in some functions of the four state retirement systems. We also identified two outmoded provisions in the law pertaining to the State Bond Commission. These areas should be further reviewed.

Executive Budget Organization

In the 1997-98 executive budget, the Department of the Treasury is divided into five programs. Four of these programs (Administrative, Financial Accountability and Control, Debt Management, and Investment Management) are under the Office of the State Treasurer budget unit (04-147). These four programs generally correspond to the four offices of the Department of the Treasury that are defined in U.S. 36.761(C)(1). The fifth program is the Administrative Program under the Interim Emergency Board budget unit (04-153). According to their missions in the 1997-98 executive budget, these programs do the following:

Office of the State Treasurer Budget Unit (04-147)

- The **Administrative Program** provides the leadership and support to manage, direct, and ensure the efficient operation of the other programs under the Office of the State Treasurer.
- The **Financial Accountability and Control Program** maintains custody and safety of taxpayer

monies. The program also assures that the monies are disbursed in accordance with constitutional and statutory law.

- **The Debt Management Program** encompasses the Office of the State Bond Commission. The program monitors, regulates, and coordinates state and local debt and other related functions.
- **The Investment Management Program** invests state funds deposited in the Treasury, consistent with the cash needs of the state, the directives of the constitution and the legislature, and the guidelines and requirements of the various funds under management.

Interim Emergency Board Budget Unit (04-152)

- **The Administrative Program** enables the board to provide funds for emergencies not reasonably anticipated by the legislature. The board's membership consists of the governor, the lieutenant governor, the treasurer, and legislative leadership.

The Board of Trustees of the State Employees Group Benefits Program is transferred to the department by R. S. 30:709(G). The executive budget does not include the SGRP under the Department of the Treasury. Instead, the program is reported in another section of the budget called *Auxiliary Appropriations - Internal Service Fund*. The program appears in the executive budget as follows:

Auxiliary Appropriations - Internal Service Fund, State Employees Group Benefits Program (21-880)

- **The State Group Benefits Program (SGBP)** provides group health and accident benefits and life insurance to state, school board, and participating political subdivision retirees¹ and their dependents, and administers a cafeteria plan.

Exhibit 3-1 on page 24 shows how the department (including IGR) and SGRP are organized in the executive budget.

¹ This system occasionally credits active employees as program members. See Exhibit on page 22 of this chapter and page 64 of Chapter 5.

Department Is Constitutionally Created

Article IV, Section 9 of the Louisiana Constitution of 1974 creates the **Department of the Treasury** and names the state treasurer as its executive head. This provision makes the treasurer responsible for administering all laws relating to the custody, investment, and disbursement of the public funds of the state, except as otherwise provided.

State law [R.S. 36:761(C)(1)] defines the department's structure. This law says the department shall be composed of the following four offices:

1. Executive Office of the State Treasurer
2. Office of Management and Finance
3. Office of the State Bond Commission
4. Office of State Depository Control and Investment

These four offices generally correspond to the four programs under the Office of the State Treasurer budget unit in the executive budget. The statute also says that the department shall be composed of such other offices as shall be created by law. Exhibit 2-1 on page 24 includes a description of the legal structure of the department. The four statutorily created offices are described below:

The **Executive Office of the State Treasurer** is created by R.S. 36:761(C)(1). The treasurer serves as executive head and chief administrative officer of the Department of the Treasury, according to R.S. 36:763. In this capacity, the treasurer is responsible for the departmental policies and the administration, control, and operation of the functions, programs, and affairs of the department.

According to R.S. 36:764, a deputy state treasurer for management and finance is responsible for the functions of the **Office of Management and Finance**. These functions include accounting and budget control, procurement and contract management, management and program analysis, data processing, personnel management, grants management, and any additional duties assigned by the treasurer.

R.S. 36:768(B) says that the **Office of the State Bond Commission** shall perform the functions of the state relating to the management, analysis, and control of state debt, functions relating to the issuance of state bonds, and other functions performed by the State Bond Commission. Article VII, Section 8 of the Louisiana

Constitution of 1974 creates the **State Bond Commission**. The constitution says that the State Bond Commission must approve in writing any bonds or other obligations issued or sold by the state, directly or through any state board, agency, or commission, or by any political subdivision of the state.

R.S. 16-769(C) says that the **Office of State Depository Control and Investment** shall perform the functions of the state treasurer relating to accounting and fiscal control and depository control of all funds deposited in the state treasury or otherwise received by the state treasurer. This statute also says that this office shall administer the state's cash flow management program, invest state funds, and assist the retirement systems transferred to the department with their investment programs.

Interim Emergency Board Is Constitutionally Created

Article VIII, Section 71(A) creates the **Interim Emergency Board (IEB)**. The board is composed of the state's top executive and legislative officials. According to the constitution, the IEB may appropriate from the state general fund or borrow on the full faith and credit of the state amounts to meet emergencies that occur between legislative sessions. These emergency appropriations and borrowings can only be made with the written consent of two-thirds of the members of the legislature.

State Employees Group Benefits Program Is Created in Statute

R.S. 42-871(A) creates the **Board of Trustees of the State Employees Group Benefits Program**. State laws provide that the board may either operate or procure private contracts for certain types of insurance for state and school board employees, officials, and retirees. R.S. 42-821(A)(1)(a)(i) gives the board the authority for group life and group accidental death and dismemberment insurance. R.S. 42-851(A)(1)(a)(i) gives the board the authority for group health, accident, accidental death and dismemberment, and hospital, surgical, or medical expense insurance. R.S. 42-874(A)(1) empowers the board to administer a cafeteria plan.

Exhibit 2-1	
Executive Budget Organization as Supported by Legal Structures Department of the Treasury and State Employees Group Benefits Program	
Executive Budget Organizations	Legal Structure
<i>Office of State Treasurer Budget Unit (84-147)</i>	
A: Program A: Administrative	• Executive Office of the State Treasurer (R.S. 36:761)
B: Program B: Financial Accountability and Control*	• Office of Management & Finance (R.S. 36:761)
C: Program C: Debt Management	• Office of the State Bond Commissioner (R.S. 36:761)
D: Program D: Investment Management	• Office of State Depository Control and Investment (R.S. 36:761)
<i>Interim Emergency Board Budget Unit (84-152)</i>	
A: Program A: Administrative	• Interim Emergency Board (ICOMT, Art. VII Sec. 7)
<i>Auxiliary Appropriations - State Employees Group Benefits Program (21-890)</i>	
A: Program A: State Group Benefits Program	• Board of Trustees of the State Employees Group Benefits Program (R.S. 41:871(A))
<p>*Note: All statutory Office of Management and Finance (OMF) functions except for personnel are in the Financial Accountability and Control Program. Some accounting functions for state funds that are assigned to the Office of State Depository Control and Investment are handled by OMF.</p> <p>Source: Created by legislative auditor's staff from Louisiana Revised Statutes, the 1997-98 executive budget, and discussions with department officials.</p>	

The four state retirement systems and several other boards, commissions, and like entities are statutorily created in the department or transferred to it by R.S. 36:769(D). They are not presented in Exhibit 2-1 because they do not have any performance data reported in the executive budget. The four state retirement systems are statutorily exempted from the state budgetary process

by R.S. 39:81(A) and are therefore not required to furnish such data for the executive budget. Instead they are required by R.S. 39:81(B) to submit their annual budgets to the Joint Legislative Committee on the Budget. The lack of performance data for the four state retirement systems is discussed in detail beginning on page 30 of Chapter 3.

Department Lists Five Non- Appropriated Activities

In addition to its major functions and programs, the Department of the Treasury lists five non-appropriated activities or programs in its organizational chart. These are:

- **Bank-at-School.** According to a Treasury official, this program forms a partnership between banks and schools. Another official said that the Young Bankers' Association provides the funds for this program. The department assists only in providing contacts with banks for schools who want to join the program and developing a lesson plan for the children.
- **Linked Deposit Program for Low-Interest Agricultural Production and Processing Loans and Linked Deposit Program for Small Businesses.** According to a Treasury official, these two legislatively authorized programs are designed to stimulate economic development in Louisiana as well as preserve and create jobs for Louisiana citizens. The agricultural program is established in R.S. 49:127.1 and 49:127.2. The small business program is a duty of the Louisiana Economic Development Corporation (R.S. 9:1313(A)(7)), under the Department of Economic Development. The Treasury official said that these departments review and approve loan applications, then forward them to the Department of the Treasury. Banks then provide loans to qualifying participants at a reduced interest rate. The department deposits funds with the participating banks in the amount of the loan with a corresponding interest rate reduction. According to another Treasury official, the functions are not appropriated to the Treasury

because they represent only an opportunity cost (foregone interest).

- **Louisiana Asset Management Pool, Inc. (LAMP).** According to a Treasury official, LAMP is a private non-profit corporation established to perform an investment and financial function on behalf of local governments. The funds invested by this pool belong to local governments. A Treasury official said that the treasurer chairs LAMP's board and that outside contractors perform the pool's financial administration and investment management. This entity is not established in statute, and we did not include its board in our list of state boards, commissions, and like entities that are related to the department.
- **Louisiana Student Tuition Assistance and Revenue Trust Program (START).** This program is created by R.S. 17:3091 to help make education affordable and accessible to all citizens of Louisiana. The program is under the Louisiana Tuition Trust Authority, which is associated with the Department of Education. The treasurer is a member of the authority and is responsible for the custody and investment of the program's fund assets.

19 State Boards, Commissions, and Other Entities Are Related to the Department

We identified 19 state boards, commissions, and other entities that are related to the Department of the Treasury. The treasurer is a board member of 18 of these entities. The Medical Disability Board is the only entity for which the treasurer is not a board member.

The first 10 entities listed on the following page are transferred to the department by R.S. 18:709. Although they are transferred to the department, they statutorily retain certain functions, duties, and responsibilities exercised independently of the department. The next four entities are either created within or overseen by the department. The last five entities are not legislatively assigned to the department but are related to it. The legal authority and purposes of all these related entities are described in Appendix B.

**Entities Transferred to the Department by R.S. 36:768,
With Certain Functions Retained Independently (10)**

1. State Bond Commission (included in the Debt Management Program under the Office of State Treasurer budget unit in the executive budget)
2. Interim Emergency Board (listed in the executive budget as a budget unit under the department with one program, Administrative)
3. Louisiana State Employees' Retirement System (LASERS) and its Board of Trustees
4. Teachers' Retirement System of Louisiana (TRS/LA) and its Board of Trustees
5. Louisiana School Employees' Retirement System (LSERS) and its Board of Trustees
6. State Police Pension and Retirement System and the State Police Retirement Board
7. Medical Disability Board² (across retirement systems)
8. Board of Trustees of the State Employees Group Benefits Program
9. Louisiana Deferred Compensation Commission
10. Louisiana Housing Finance Agency (LHFA) and its Board of Commissioners (As a political subdivision of the state, LHFA does not fall within the scope of our Act 1160 work.)

**Entities Created Within or Overseen by the
Department (4)**

11. Public Retirement Systems' Actuarial Committee
12. Cash Management Review Board
13. Fiscal Review Committee
14. Deputy Sheriff's Supplemental Pay Board

² The Medical Disability Board is the only entity of the 39 we identified where the treatment is not a board member.

Entities Not Legislatively Assigned to the Department (5)

15. Louisiana Worker's Compensation Second Injury Board (located in the Department of Labor)
16. Louisiana Tax-Free Shopping Commission (located in the Department of Revenue)
17. Governor's Advisory Council on Disability Affairs (located in the Office of the Governor)
18. Louisiana Tuition Trust Authority (associated with the Department of Education)
19. Louisiana Lottery Corporation

**Department
Appropriated
Over \$5 Million,
SEGBP Over
\$448 Million for
1997-98**

The five programs listed under the Department of the Treasury in the executive budget were appropriated more than \$5 million for fiscal year 1997-98, with 49 authorized positions. Exhibit 2-2 on page 27 shows unaudited actual expenditures for the department's programs for fiscal year 1996-97. It also displays the recommended funding, appropriated funding, and authorized positions for fiscal year 1997-98.

Exhibit 2-2
Actual Expenditures, Recommended Amounts, Appropriations, and Staffing Data
Fiscal Years 1996-97 and 1997-98
Department of the Treasury

Budget Unit/Program	Fiscal Year 1996-97	Fiscal Year 1997-98		
	Actual Expenditures (In thousands)	Recommended Amounts	Appropriated Amounts	Authorized Positions (Appropriated)
Office of State Treasurer Budget Unit 004-047				
Administrative Program	\$417,099	\$383,844	\$738,608	13
Financial Accountability and Control Program	\$1,486,843	\$1,887,714	\$2,085,034	16
Debt Management Program	\$851,778	\$1,316,888	\$1,481,089	6
Investment Management Program	\$560,298	\$1,031,316	\$1,031,316	8
Subtotal for Office of State Treasurer	\$3,316,218	\$5,621,762	\$5,336,047	43
Interim Emergency Board Budget Unit 004-152				
Administrative Program	\$15,800	\$30,800	\$30,000	0*
Subtotal for IEB	\$15,800	\$30,800	\$30,000	0*
TOTAL, DEPARTMENT	\$3,332,018	\$5,652,562	\$5,366,047	43

*The IEB staff person told us that she is a legislative employee whose salary is supplemented by the board. Therefore, her position is not authorized through the department.

Source: Prepared by legislative auditor's staff using information provided by the Department of the Treasury for 1996-97 actual expenditures, the fiscal year 1997-98 executive budget for recommended amounts, and information provided by OFS for fiscal year 1997-98 appropriations.

SEGB's appropriation for 1997-98 was over \$448 million, according to OFS. The program was authorized for 338 positions, as Exhibit 2-3 on the next page shows.

Exhibit 1-3

**Actual Expenditures, Recommended Amounts, Appropriations, and Staffing Data
Fiscal Years 1996-97 and 1997-98
State Employees Group Benefits Program**

Budget Unit/Program	Fiscal Year 1996-97	Fiscal Year 1997-98		
	Actual Expenditures (Dollars)	Recommended Amounts	Appropriated Amounts	Authorized Positions (Appropriated)
State Employees Group Benefits Program Budget Unit (Auxiliary Appropriations - 21-999)				
State Group Benefits Program	\$434,740,504	\$448,431,197	\$448,431,197	358
TOTAL, SEGBP	\$434,740,504	\$448,431,197	\$448,431,197	358

Source: Reported by legislative entities's staffing information provided by OPR for 1996-97 actual expenditures, for fiscal year 1997-98, plus an executive budget for recommended amounts, and information provided by OPR and the executive budget for fiscal year 1997-98 appropriations.

**All But Three
Missions and All
Goals Align With
State Law**

The missions reported for budget units and programs of the department and SEGBP in the 1997-98 executive budget are generally consistent with state law, with three exceptions. In addition, all reported goals align with state law. This means that, for the most part, the executive budget reports the programs as they are legally authorized. Those missions and goals that closely reflect legal intent accurately communicate the programs' purposes and client groups. However, the missions of two programs may not fully describe what those programs are supposed to be doing. Also, one of those missions and the mission of a third program indicate that those programs may not belong in the Department of the Treasury.

We compared the missions and goals reported in the 1997-98 executive budget for the department's budget units and programs to state law. In addition, we assessed the mission and goal of SEGBP, which, as previously noted, are reported under the *Auxiliary Appropriations - State Employees Group Benefits Program* budget unit of the executive budget. We considered whether those missions and goals are consistent with their statutory and constitutional authority. Appendix C presents the missions and goals as reported in the 1997-98 executive budget along with their legal authority. The three exceptions we identified are discussed in the following paragraphs.

Financial Accountability and Control Program Mission Is Incomplete

The mission for the Financial Accountability and Control Program does not acknowledge the program's internal management functions. According to R.S. 36:766(B), these functions are assigned to the Office of Management and Finance, which generally correlates with the Financial Accountability and Control Program (see Exhibit 2-1 on page 24). Because these functions are not included in the mission, users of the executive budget may not understand the full scope of this program's activities.

The functions include accounting and budget control, procurement and contract management, management and program analysis, data processing, personnel management, and grants management for the department and all agencies transferred to it. According to a Treasury official, the Financial Accountability and Control Program performs all of these functions except personnel management.

The mission for the Financial Accountability and Control Program that is reported in the executive budget is "to perform tasks to accomplish constitutional requirements that the treasurer maintain custody and the safety of taxpayers' monies and to assure that those monies are disbursed out of the State Treasury in accordance with constitutional and statutory law." This mission makes no mention of the internal management functions that appear in state law. Therefore, the mission does not fully communicate all major statutory functions and customers of the program.

Recommendation

- 2.1 With the assistance of OPR, the department should broaden the mission of the Financial Accountability and Control Program to address the internal management functions the program performs. This could be accomplished by adding a few words to the mission addressing management functions in general. An expanded mission would give readers of the executive budget more complete information about the program's scope and customers.

SGRP Mission Omits Active Employees as Clients and Is Inconsistent With Department's Purpose

Another exception we identified deals with the mission for SGRP. We identified two problems with this mission. First, the mission says that the program provides health and accident and life insurance benefits for retirees. However, R.S. 42:821(A)(2)(a)(ii) and R.S. 42:821(A)(2)(a)(iii) extend these benefits to active employees, as well. Because active employees are excluded from the mission, users of the executive budget may not fully understand which customers this program serves.

We discussed this situation with officials of SGRP and OPB. An SGRP official indicated that the omission of active employees is an error in the 1997-98 operational plan. An OPB official confirmed the mission was worded this way in SGRP's 1997-98 and 1998-99 operational plan as submitted to OPB. The OPB official gave us evidence that the error was subsequently corrected in the operational plan and said the mission will be changed for the 1998-99 version of the executive budget.

The second problem we noted with the SGRP mission is that it is inconsistent with the department's purpose as stated in the state constitution. The constitution provides that the treasurer is responsible for administering all laws relating to the custody, investment, and disbursement of the public funds of the state, except as otherwise provided. This provision makes no mention of providing health, life, and accident benefits. Therefore, it appears that the SGRP mission may not be consistent with the constitutional purpose of the department.

We discussed this issue with officials from the Department of the Treasury and SGRP. A Treasury official said that the type of relationship is not unusual considering similar situations in other departments. He also offered his opinion that it may not be necessary for the treasurer to sit on the board of the State Employees Group Benefits Program, but the board should include one or more members with extensive knowledge of state government operations and finance. The SGRP official had no comments concerning this issue.

Matter for Legislative Consideration

- 2.1** Because it is inconsistent with the Department of the Treasury's purpose as established in the state constitution, the legislature may wish to transfer the State Employees Group Benefits Program to another agency whose purpose is more consistent with the SGBP's mission.

IEB Mission is Inconsistent With Department's Purpose as Constitutionally Stated

Finally, we identified an exception dealing with IEB. The mission of the IEB's Administrative Program is supported in law. However, as with SGBP's mission, IEB's mission is not consistent with the department's purpose as set forth in the state constitution. As a result, IEB may not be properly placed within the Department of the Treasury.

The IEB Administrative Program mission is to provide funds for emergency events or occurrences not reasonably anticipated by the legislature. According to the Constitution Article VIII, Section 7 (B), IEB does so by appropriating state funds or borrowing on the full faith and credit of the state. However, as previously mentioned, Article IV, Section 9 of the state constitution charges the department with the custody, investment, and disbursement of funds. These functions do not include appropriating or borrowing funds. Therefore, it appears that the IEB's function is inconsistent with the constitutional purpose of the department.

A department official with whom we discussed this issue said that, for this reason, IEB might be better placed in another state agency. Another department official added that IEB might not fit the mission of any executive branch department, including the Office of the Governor. IEB's staff person said that IEB is an appropriating body, which is a function of the legislature. This person also said that although there is no place in state government where IEB really fits, it might possibly be included as a separate budget entity within the legislative appropriation bill or within the Division of Administration. Because IEB is currently placed within the Department of the Treasury, users of the executive budget may not understand its true purpose.

Matter for Legislative Consideration

- 2.2 Because it is inconsistent with the Department of the Treasury's purpose as established in the state constitution, the legislature may wish to transfer the IEB to another agency whose purpose is more consistent with IEB's mission. Another possibility is to include it as a separate budget entity within the legislative appropriation bill.

Retirement Systems May Have Duplicative Functions

We identified potentially duplicative functions among the four state retirement systems. If duplication exists, the systems may be using more resources than necessary to provide services. In addition, system officials and legislators may be making decisions without full knowledge of the interaction among all programs and entities.

As mentioned in Chapter 1, we defined duplication as instances where two or more entities appear to conduct the same activities or functions for the same or similar purposes. Since we interpreted these criteria broadly, areas identified as potentially duplicative should be further reviewed.

To identify potential duplication, we examined the missions, goals, and statutory authorizations of the department's programs and its related boards, commissions, and like entities. We then compared these provisions to each other. We also considered a previous report issued by our office. The department's related boards, commissions, and other entities are explained in detail in Appendix B. The appendix shows each entity's legal authority and purpose.

We found that the potential for duplication may exist among the four state retirement systems and their boards. The four systems potentially duplicate one another's administrative efforts. In addition, the four boards potentially duplicate one another's investment and administrative policy-making efforts. If duplication of effort is occurring, the systems may be using more resources than necessary to provide and coordinate related services.

As previously mentioned, the four state retirement systems and their boards are as follows:

1. Louisiana State Employees' Retirement System (LASERS) and the Board of Trustees of the Louisiana State Employees' Retirement System
2. Teachers' Retirement System of Louisiana (TRS LA) and the Board of Trustees of the Teachers' Retirement System of Louisiana
3. Louisiana School Employees' Retirement System (LSERS) and the Board of Trustees of the Louisiana School Employees' Retirement System
4. State Police Pension and Retirement System and the State Police Retirement Board

The Office of Legislative Auditor issued a performance audit titled *Consolidation of the Administration of Louisiana's State Retirement Systems* in December 1993. The audit found that the boards generally have the same powers and the systems perform essentially the same services for their members. Thus, there exists the case definition of potential duplication. The audit also found that consolidating the staff of those systems might save about \$1.3 to \$1.8 million in salaries and related benefits.

We discussed this audit with officials of the four state retirement systems. Several of them cautioned that merging these functions might be expensive. One official said revising legal provisions would be costly, particularly with regard to federal laws. Another said that combining some of the systems' computer operations would be a difficult and costly process, which might eliminate any potential near-term savings. Therefore, any studies in this area should be updated and specific savings identified before reconsidering the consolidation of any retirement system functions.

Matter for Legislative Consideration

- 1.3 The legislature may wish to consider updating studies to determine whether any state retirement system functions, such as administrative and investment functions, are currently duplicative. Such an updated study should address whether it would be desirable or cost-effective to combine any functions found to be duplicative.

Two Statutory Provisions May Be Outmoded

We identified two provisions in state law that may be outmoded. These two provisions set up dedicated sales taxes to retire bonds issued by a commission and an authority. The dedicated sales tax is established in R.S. 47:302. If the laws are outmoded, they could be confusing to persons trying to understand the department's activities.

As mentioned in Chapter 1, we defined outmoded to mean those programs, activities, or functions that appear to be outdated or no longer needed. Since we interpreted these criteria broadly, areas identified as potentially outmoded should be further reviewed.

To identify whether any programs, functions, or activities appear to be outmoded, we searched applicable constitutional provisions and statutes and reviewed performance data in the 1997-98 executive budget. We also inquired if department officials knew of any programs, functions, and activities that appeared to be outmoded. Finally, we asked Treasury and OPB officials whether outdated entities were reported on budget forms required by OPB or through any other means for fiscal year 1997-98.

We found that R.S. 39:463 J says that a tax shall be pledged and dedicated to retire bonds issued by the Louisiana Fiscal Authority. R.S. 39:464 J dedicates and pledges the same tax to salient construction bonds issued by the authority and the Capital Construction and Improvement Commission. Both statutes have provisions stating that they will remain in effect until bonds issued by these entities are retired. Legislation pertaining to the authority was repealed in 1989 by Act 902, Section 8. The commission was abolished in 1977 by R.S. 35:769(F)(1).

We asked a Treasury official who works with the State Bond Commission if any bonds issued by these two bodies are outstanding. The official confirmed that all bonds issued by these entities have been retired. Because the bonds have been retired, the statutory provisions setting up the dedicated sales taxes may no longer be needed. The Treasury official also said that there might be similar provisions in Title 39 that are outmoded. We identified several provisions mentioning these entities, as well as two other entities that have been abolished², in our legal research for this audit. Retaining outdated provisions in state law could be confusing to persons trying to understand all activities of the department.

² The two abolished entities are the State Bond and Tax Board and the State Bond and Building Commission. They were abolished by R.S. 35:769(F).

Recommendation

- 2.2 The Department of the Treasury should review the statutory provisions related to any abolished or repealed entities to determine if any of those provisions may be outdated. They should also determine whether they should draft legislation to amend or repeal those provisions that are outdated. Deleting outdated statutory provisions will help avoid confusion for persons trying to understand all activities of the department.

Matter for Legislative Consideration

- 1.6 The legislature may wish to consider repealing R.S. 39:465.3 and R.S. 39:466.3 if the provisions are no longer needed. The legislature may also wish to direct a review of other sections of the revised statutes to determine if there are other outdated provisions that should be amended or repealed. Retaining outdated provisions in state law could be confusing to persons trying to understand all activities of the department.

Chapter 3: Analysis of Performance Data

Chapter Conclusions

There is no departmental mission reported in the 1997-98 executive budget for the Department of the Treasury. However, the four missions that are reported under the department meet most of the established criteria and therefore convey useful information about program purpose and clientele. In addition, the six reported goals provide some useful information, but half of them could be improved by providing a sense of direction on how to address the missions. Also, although most of the reported objectives are consistent with program goals, overall they do not communicate specific, targeted levels of performance to be accomplished within certain time frames. This means that most of the performance indicators do not communicate progress made by the programs toward these targets.

The problems above are compounded by the fact that some programs have little or no performance data reported. The Office of State Treasurer Administrative Program has only one performance indicator reported, and the Financial Accountability and Control Program does not have any goals reported. In addition, the IEB Administrative Program does not have any goals, objectives, or performance indicators reported. The lack of performance data in these instances means that users of the executive budget cannot determine if, how, or how well program missions are being accomplished.

The mission reported for SGBP clearly states the purpose of the program. However, it does not identify all customers served by the program. It erroneously omits active employees as program customers. In addition, the goal reported for SGBP could be expanded to address life insurance. Furthermore, the objective and performance indicators reported for SGBP do not collectively provide meaningful information about program progress and accomplishments.

As a result of these deficiencies in the performance data reported in the executive budget, an external user may not have sufficient information to evaluate the performance of the department's programs or of SGBP.

The four state retirement systems are not subject to the executive budget process. Instead they are required to submit their operating budgets to the Joint Legislative Committee on the Budget. Although required to do so by R.S. 24:512(B)(2), the systems have not yet developed performance data.

Analysis Conducted

We evaluated the performance data reported for five programs within two budget units listed under the Department of the Treasury and one program listed under the State Employees Group-Benefits Program budget unit in the 1997-98 executive budget against a set of established criteria. The established criteria are shown in Exhibit 3-1 on page 42.

The 1997-98 executive budget does not report an overall departmental mission for the Department of the Treasury. The executive budget does, however, report a mission for the Office of State Treasurer budget unit. We evaluated that mission and used it as the higher-level mission in assessing the six individual program missions that are included in the executive budget. In total, we assessed seven missions, seven goals, 32 objectives and 182 performance indicators to determine if they provide sufficient information for budgetary decision making.

The 1997-98 executive budget does not report performance data for the four state retirement systems. The four retirement systems and their boards are listed in Chapter 2 on page 15. The retirement systems were transferred to the Department of the Treasury by R. S. 26:769 but operate independently of the department. The state budgetary process does not apply to the retirement systems' operating budgets. Instead, the systems are required by R. S. 29:31(R) to submit their budgets to the Joint Legislative Committee on the Budget. Therefore, the operating budgets and any related performance data of the retirement systems are not reported in the 1997-98 executive budget.

We discussed the findings related to the department (excluding III) with Department of the Treasury officials. They said they have worked very hard to improve the 1998-99 operational plan. They also said that they included a departmental mission in the new operational plan. The state treasury fiscal officer said that they are going through a learning phase and that the performance data would be better in future years. He also said

that the department's 1998-99 operational plan will have better performance data, although some objectives may still not be measurable.

We discussed the finding related to IEB with the IEB staff person. Her comments are included on page 64 of the report.

We discussed the findings pertaining to SOBP with the program's fiscal officer. He also said that they are in a learning phase. He further said the 1998-99 operational plan for the program would have objectives that relate to the goals, objectives that are measurable and timebound, and performance indicators that relate to the objectives. He stated that the revised 1998-99 operational plan would be completed by July 1, 1998.

Exhibit 3-1
Criteria Used to Evaluate the
Fiscal Year 1997-98 Executive Budget
Performance Data

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 as how to address the mission; reflects the destination toward which the entity is moving
-

OBJECTIVE: A specific and measurable target for accomplishment

- ✓ Consistent with goals
- ✓ Measurable
- ✓ Timely/and
- ✓ 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
-

Sources: Prepared by legislative auditor's staff based on input from Management, OMB, the Federal Office of Management and Budget, and the Urban Institute to show criteria used to evaluate the department's performance data.

**No Departmental
Mission Reported
in 1997-98
Executive Budget**

The Department of the Treasury does not have a departmental mission reported in the 1997-98 executive budget. Without a departmental mission, users of the executive budget cannot determine the purpose of the department or the customers it is intended to serve.

We did find a departmental mission on the department's Internet homepage and in its FY 1998-99 operational plan. We discussed the lack of mission in the executive budget with department officials. The state treasury fiscal officer said that a department mission will be reported in the FY 1998-99 executive budget.

Recommendation

- 3.1 Department of the Treasury and OFB staffs should work together to ensure that the overall mission for the department is included in the executive budget. Implementing this recommendation will help executive budget users understand the relevance of the performance data reported for the individual programs as they relate to the department purpose and clientele.

**Office of State
Treasurer
Mission Meets
Established
Criteria**

As previously mentioned, the Department of the Treasury does not have a departmental mission reported in the 1997-98 executive budget. However, a mission is reported in the 1997-98 executive budget for the Office of State Treasurer budget unit. This is the mission we used as the higher-level mission in our assessment of individual program missions. This mission is shown below:

Office of State Treasurer Mission

The Department of Treasury is responsible for the receipt, custody, investment and disbursement of public funds for the state.

This mission states the primary purpose of the department: the receipt, custody, investment, and disbursement of public funds.

The mission also identifies the state as the customer of the department. In addition, the department's operational plan includes language similar to this mission statement. Therefore, we concluded that the mission is organizationally acceptable. As a result, legislators and other users of the executive budget can tell what the purpose of the department is and whom the department is supposed to serve.

Objectives and Performance Indicators for Office of State Treasurer Administrative Program Need Improvement

The mission and goal reported in the 1997-98 executive budget for the Office of State Treasurer Administrative Program meet all of the established criteria and therefore provide useful information about the purpose and direction of the program. However, the reported objectives and performance indicators are not useful for budgetary decision making because they provide little information about program progress and achievements. For instance, several of the objectives are not specific, and none are measurable or timebound. In addition, our assessment of the four items reported as outcome indicators shows that only one is directly related to the program's objectives, and it is an output, not an outcome. Therefore, the executive budget does not report a mix of performance indicators for this program. In addition, the job indicator that relates to the program objectives does not show progress made toward any of the objectives. For these reasons, the objectives and performance indicators do not give complete and useful information about program progress and achievements for use in budgetary decision making.

The performance data reported in the 1997-98 executive budget for the Administrative Program are presented in Appendix D. An explanation of our assessment of these data are described in the paragraphs below, including specific problems identified with the objectives and performance indicators.

As discussed in detail under the Financial Accountability and Control Program on page 50, R.S. 36:766(B) identifies administrative functions for which the deputy state treasurer for management and finance shall be responsible. The state treasury legal officer said that the personnel management function is carried out in the Administrative Program. However, the mission, goal, objectives, and performance indicator reported in the executive budget for the Administrative Program do not address this function. We discussed this issue with a Treasury official. He said that there

is only about one-third of a full-time equivalent position that handles the personnel function for the Administrative Program. Therefore, he said, including performance data for this function in the executive budget may not be warranted.

According to a GASP official, agency personnel need to determine which performance data need to be reported externally in documents, such as the executive budget and which should be maintained internally for use as a management tool. Also according to this GASP official, support and administrative functions should be separated for the purpose of developing performance data. Support services provide purchasing, payroll, legal, and other services such as personnel management to the rest of the department. Administration deals with the general management and oversight of a program or department. If the department developed performance data for these distinct areas, program managers and others would be able to determine the department's performance related to these functions.

Mission. The mission statement reported for the Administrative Program meets the established criteria. The mission is consistent with the Office of State Treasury mission dealing with the receipt, custody, investment, and disbursement of public funds. The mission also identifies the overall purpose of the program, identifies customers served by the program, and is organizationally acceptable. Thus, legislators and other users of the executive budget can tell the purpose of the program and whom the program is supposed to serve.

Goal. The goal that is reported for this program also meets the established criteria. The goal is consistent with the Office of State Treasury and program missions. The goal also provides a sense of direction on how to address the mission (i.e., through policy development, communications, and dissemination of information, the provision of legal services and support, and overall coordination of all programs in the department) and reflects the destination toward which the program is striving (i.e., effective management of the department). Therefore, the goal provides useful information about how the program plans to meet its mission.

Objectives. The Administrative Program has six objectives reported in the 1991-92 executive budget. All of the objectives are consistent with the goal, and five (83.3%) provide desired end results. However, several of the objectives are not specific. Instead, they tend to provide broad, general information about

desired end results. In addition, none of the objectives are measurable or timelimited. Also, because of the way it is worded, objective #2 may fit better under the Investment Management Program.

According to *Managers*, one of the typical procedures in strategic planning involves reviewing the organization's mission and goals and setting objectives. Objectives should contain specific and measurable milestones toward realizing a program's goals. The objectives should also set time frames for achieving the results. Because the objectives in the executive budget do not have these characteristics, they do not communicate target levels of performance against which to measure the program's progress.

For example, the fifth objective is to ensure that the appropriate reports are presented to the legislature, governor, and public. Although this objective provides a general desired end result, it does not provide a specific target level of performance. This objective would be more specific if it defined "appropriate," gave a target number of reports, and gave a specific time frame for achievement.

Likewise, the second objective says, "Implement a more active management of the equity, or stock, portion of the Louisiana Education Quality Trust Fund's investments, focusing on a safe, balanced portfolio of consistent publicly traded stocks." This objective is not specific enough to be measurable. It does not define or give a dollar amount or target for either "more active management" or "safe, balanced portfolio." In addition, the objective, as worded, appears to be better suited to the Investment Management Program, as it does not involve general management or oversight of the department as a whole.

Performance Indicators. Department of the Treasury officials said that they have had trouble developing administrative performance indicators. The OPR planning analyst noted that she has had problems obtaining administrative indicators from the agencies. She also stated that she has had problems obtaining the indicators in tabular format as opposed to narrative format.

The 1995-98 executive budget reports as outcome indicators for the Administrative Program four items presented in narrative text. However, three of the four items are actually more directly related to other programs and may be better placed in those programs instead of the Administrative Program. A detailed discussion of these four items is shown as follows:

- The first two items appear to relate more directly to the Debt Management Program instead of the Administrative Program. In fact, they are also included under the Debt Management Program in the executive budget. Because these two items are addressed under that program, we did not include them in our assessment of performance indicators for the Administrative Program.
- The third item appears to more directly relate to the Financial Accountability and Control Program than the Administrative Program. The same item is listed under the Financial Accountability and Control Program in the executive budget, and we classified it as an explanatory note item. Because we assessed this item in the Financial Accountability and Control Program, we did not include it as a performance indicator for the Administrative Program.
- The fourth item does relate to the Administrative Program more than any of the other programs. This indicator is as follows:

Working with the Office of Student Financial Assistance, the State Treasury is preparing to help launch the Student Tuition Assistance and Revenue Trust (START Saving) Program in July 1997; this program is aimed at encouraging families to save for college or other post-secondary education costs, rather than incurring student loans.

Although this item is listed as an outcome indicator in the executive budget, it is actually an output because it measures the amount of product or services provided. It does not measure the effectiveness of the Administrative Program in meeting its mandates. Also, it does not relate to or show progress toward any of the Administrative Program objectives.

For these reasons, the items reported as performance indicators for this program do not provide useful information about program progress for budgetary decision making. Exhibit 3-2 on the following page shows the results of our analysis of the Office of State Treasurer Administrative Program's performance data.

Exhibit 3-3
**Results of Comparing Office of State Treasurer
Administrative Program Performance
Data to Established Criteria**

Mission	<ul style="list-style-type: none"> • Identifies purpose • Identifies customers • Is organizationally acceptable
Goal	<ul style="list-style-type: none"> • Is consistent with program and Office of State Treasurer mission • Provides direction/reflects destination
Objectives	<ul style="list-style-type: none"> • 6 of 6 are consistent with goal • 0 of 6 is measurable • 0 of 6 is timebound • 5 of 6 specify desired end results
Performance Indicator*	<ul style="list-style-type: none"> • 0 of 1 measures progress toward objective • 0 of 1 is consistent with objective • 1 of 1 is clear and easily understood

* Four items are reported in the executive budget, as outcome indicators for this program. Three are more directly related to other programs, thus we only analyzed the remaining one for this program.

Sources: Prepared by legislative auditor's staff from results of comparison of 1997-98 executive budget performance data to criteria in Exhibit 3-1.

Recommendation

3.2 Department of the Treasury and OFB staff should work together to ensure that the specific deficiencies identified for the Administrative Program are corrected. Specifically, they should concentrate on developing

- a. **Objectives that are specific, measurable, and timebound.** Objectives with these characteristics provide clear information about exactly what the program intends to accomplish within a certain time period.

- b. Performance indicators that directly relate to and measure progress toward the objectives. This will allow users of the executive budget to see whether desired levels of accomplishment are being achieved.
- c. A mix of the various types of performance indicators (i.e., input, output, outcome, efficiency, and quality) to show all aspects of performance, including at least one outcome indicator for each objective.
- d. Performance data for the personnel function, if deemed necessary or useful. They should also determine whether this data should be reported externally in the executive budget and/or supporting document or maintained internally for use as a management tool. Developing performance data for this function would help program managers and others see performance and accomplishments made in this area.

Financial Accountability and Control Program's Performance Data Need Improvement

The Financial Accountability and Control Program's mission that is reported in the 1997-98 executive budget meets all the established criteria. However, the remainder of the performance data need improvement. First, the program has no goals reported. Second, none of the reported objectives meet all of the established criteria. In particular, none are measurable or timebound. Third, the program does not have a mix of performance indicators reported. In addition, since the objectives are not measurable, none of the indicators measure progress toward them. As a result of these deficiencies, the performance data do not provide sufficient information to enable legislators to make informed decisions about this program's progress or accomplishments.

The performance data reported in the 1997-98 executive budget for the Financial Accountability and Control Program are presented in Appendix D. Our assessment of the performance data is summarized in the following paragraphs. The discussion includes specific problems that we identified with the program's performance data.

The Financial Accountability and Control Program's functions are diverse. This program contains administrative, support, and non-administrative functions. Objectives and performance indicators are reported for the support and non-administrative functions. However, none are reported for the administrative functions.

As specifically identified by R. S. 3676(8), the deputy state treasurer for management and finance shall be responsible for accounting and budget control, procurement and contract management, management and program analysis, data processing, personnel management, and grants management for the department and all of its offices. The state treasury fiscal officer said that all of these functions are carried out in the Financial Accountability and Control Program except personnel management, which is carried out in the Administrative Program (see page 44). However, the ratios, objectives, and performance indicators reported for the Financial Accountability and Control Program do not address any of these program responsibilities.

As discussed on page 45, a GASB official said that support and administrative functions should be separated for the purpose of developing performance data. Support services provide purchasing, payroll, legal, and other services to the rest of the department. Administration deals with the general management and oversight of a program or department. If the departments developed performance data for these distinct areas, program managers and others would be able to determine the department's performance related to each function.

We discussed the lack of performance data for the administrative functions with a Treasury official. He said that there are only about three full-time equivalent positions performing the administrative functions, and that these functions are not the primary focus of the program. Therefore, he questioned whether reporting performance data for these functions was warranted. We also spoke with the GPO planning analyst for the departments. As previously mentioned, she stated that she has had trouble obtaining administrative type performance data from agencies.

We discussed the problems the agency has experienced in developing performance data for administrative functions with two Treasury officials. During our discussions, we provided the officials with suggestions on how to develop the data. We also provided them with a list of contacts in other states who have experience in developing this type of performance data. We also

discussed the need to determine whether such data should be reported externally or maintained internally for use as a management tool.

Mission. The mission reported in the 1997-98 executive budget meets all established criteria. That is, it identifies the overall purpose of the program, identifies the customers served by the program, and is organizationally acceptable. In addition, it is consistent with the Office of State Treasurer mission. As a result, legislators and other users of the executive budget can easily determine the purpose of this program and whom it is supposed to serve.

Goals. The 1997-98 executive budget reports no goals for the Financial Accountability and Control Program. *Management* says that goals provide a framework for more detailed levels of planning. *Management* also says that goals establish the direction in which a program is heading, objectives identify milestones along the course. Without any goals to establish program direction, objectives may not identify milestones along the course. Furthermore, without program goals, legislators and other users of the executive budget cannot tell how the program will meet its mission.

Objectives. None of the three objectives reported in the 1997-98 executive budget for the Financial Accountability and Control Program meet all of the established criteria. Since there are no program goals reported, we could not assess whether the objectives are consistent with the goals. However, we did find that the three objectives specify desired real results, but none of them are measurable or timebound. Without measurable or timebound objectives, legislators and other users of the performance data cannot tell what the desired levels of accomplishment are or when they are to be achieved.

Performance indicators. The 17 performance indicators reported for the Financial Accountability and Control Program do not provide information for legislators and other external decision-makers about progress made by the program. Performance indicators should measure progress toward objectives. However, none of the reported indicators measure progress toward the objectives primarily because none of the objectives are measurable.

However, 37% (10 of 27) of the reported performance indicators are outcome indicators. Outcome indicators are the most important type of indicator because they measure results and assess

program impact and effectiveness. We commended the agency for developing several outcome indicators. Another 55.6% (15 of 27) of the performance indicators are output indicators, and 3.4% (2 of 27) are input indicators. No efficiency or quality indicators are reported. Management stresses the need for a balanced mix of indicators. Without a mix of all types of performance indicators, users of these data will not have complete information on program performance.

We also found that none of the indicators measure progress toward achieving the stated objectives. This is primarily because the objectives do not provide specific levels of desired accomplishment. However, 25 of the indicators (90.6%) are consistent with the objective, and 24 (88.9%) are clear and easily understood. Performance indicators #13, 14, and 15 for objective #1 are the three indicators that are not clear and easily understood. These indicators include "SRCS" in the indicator but do not state what this acronym means. The state treasury fiscal officer said it means "state revenue sharing," but an uninformed reader may not know this.

Because of the above deficiencies, we concluded that the performance indicators reported for the Financial Accountability and Control Program do not provide information about program progress. Exhibit 3-1 on the following page shows the results of our comparison of the Financial Accountability and Control Program's performance data to the established criteria.

Exhibit 3-3
**Results of Comparing Financial Accountability and Control
 Program Performance Data to Established Criteria**

Mission	<ul style="list-style-type: none"> • Identify purpose • Identify customers • Is organizationally acceptable
Goals	<ul style="list-style-type: none"> • None reported
Objectives	<ul style="list-style-type: none"> • Could not determine consistency with goals • 0 of 3 is measurable • 0 of 3 is timebound • 3 of 3 specify desired end results
Performance Indicators	<ul style="list-style-type: none"> • 0 of 27 measures progress toward objective • 23 of 27 are consistent with objective • 24 of 27 are clear and easily understood

Source: Prepared by legislative review staff from results of comparison of 1997-98 executive budget performance data to criteria in Exhibit 3.1.

Recommendation

- 3.3** Department of the Treasury and OPR staff should work together to ensure that the specific deficiencies identified for the Financial Accountability and Control Program are corrected. Specifically, they should concentrate on:
- a. Developing goal(s) that relate to the program mission and say how the mission will be addressed. Including goals in the executive budget and/or supporting document will help communicate the direction of the program.
 - b. Determining for which major administrative functions objectives and performance indicators should be reported in the executive budget and/or supporting document. Some of these

objectives and indicators might address accounting and budget control, procurement control, procurement and contract management, management and program analysis, data processing, and/or grants management. The decision on which ones to report in the executive budget and/or supporting document should be based on the usefulness of the data to legislators and other users of the documents for budgetary decision making.

- c. Making the objectives measurable and disclosed. That is, the objectives should state specific levels of desired performance and time tables for accomplishment.
- d. Developing performance indicators that measure progress made toward achieving the objectives. If the objectives are made measurable, as discussed in 1.3(c), developing indicators that measure progress toward them should be easier.
- e. Making sure that all performance indicators are consistent with the objectives. That is, each indicator should directly correspond to a particular objective.
- f. Ensuring that all performance indicators are clear and easily understood. Unusual acronyms should be defined or not used.
- g. Developing a mix of performance indicators to be reported in the executive budget, including at least one outcome indicator for each objective.

Implementing this recommendation will help provide clearer and more complete information to legislators and others for use in budgetary decision making.

**Debt
Management
Program
Performance
Data Need
Improvement**

The performance data reported in the 1997-98 executive budget for the Debt Management Program provide some useful information for budgetary decision makers. However, the mission and goals do not provide complete information. In addition, the objectives and performance indicators provide little information about targeted levels of accomplishment and progress made toward those targets. Most of the objectives are not measurable or timebound, and less than 5% of the performance indicators measure progress toward the objectives. There are also no outcome or efficiency indicators reported for this program. For these reasons, the performance data do not collectively provide enough information to allow an external user to make informed decisions about program performance.

The program's performance data that is reported in the 1997-98 executive budget is shown in Appendix D. A summary of our assessment of the performance data is in the following paragraphs.

Mission. The mission reported for this program identifies the purpose of the program and is acceptable to program officials as its mission. It is also consistent with the Office of State Treasurer mission. However, the mission does not clearly identify the program's customers. The mission is to monitor, regulate, and coordinate state and local debt and other related functions, as mandated by the state constitution and state laws. It does not include language such as "to serve state and local governmental entities" or "the taxpayers of the state" that would identify its customers. As a result, legislators and other users of the executive budget may not understand whom the program is supposed to serve.

Goals. The three goals reported for the Debt Management Program are consistent with the program mission. They are also consistent with the Office of State Treasurer mission. Furthermore, the goals reflect a destination toward which the program is striving, but they do not provide a sense of direction on how to address the mission. Goal #1 says the program will "manage state debt in an orderly and efficient manner." Including wording such as "by re-scheduling state debt balances monthly," for example, would help give a sense of direction. Additionally, we say that goals provide a framework for more detailed levels of planning. Management also says that goals should establish the direction in which a program is heading. Without program goals that provide a sense of direction, legislators and other users of the performance data may not understand how the program plans to meet its mission.

Objectives. The 11 objectives reported for the Debt Management Program are generally not useful for budgetary decision making. Although all of the objectives are consistent with the goals and most (73.7%) specify desired end results, few are measurable and timebound. More specifically, only two objectives (18.2%) are fully measurable (Objectives #4 and #5); one objective (9.1%) is partially measurable (Objective #2); and only one objective (9.1%) is timebound (Objective #2). Objectives are more useful for decision making if they are specific, measurable, and timebound. Measurable and timebound objectives tell exactly what results should be achieved and when.

Also, Objective #1 has two parts and Objective #2 has three parts. Each of these objectives could be split into more than one objective. This would help make the objectives more specific, as suggested by *Managers*, and therefore, more meaningful. It would also make it easier to determine which performance indicators are associated with each part.

Performance Indicators. Overall, the 47 performance indicators reported for the Debt Management Program do not communicate progress made by the program. Although the majority of indicators (97.7%) are consistent with the objectives, less than 3% measure progress toward the stated objectives. This is primarily because the objectives do not provide specific targeted levels of accomplishment. If the objectives were improved, the indicators might measure progress toward them. Also, over one-third of the indicators (37.2%) are unclear and difficult to understand. In addition, there is not a balanced mix of indicators that would measure all aspects of performance. For these reasons, the program's performance indicators are not useful for budgetary decision making.

An example of an indicator that is not clear is the fourth indicator for the second objective. This indicator is "number of projects in priority five granted non-cash LDC." Although "LDC" is defined in the previous indicator as "lines of credit," it is unclear what "priority five" means. According to a Treasury official, priority five is a term for future bonds in the long-term capital outlay program that do not require a cash outlay because they are in the early stages of planning. Including this explanation with the performance indicator would make the indicator easier to understand.

The 43 performance indicators consist of 5 input, 36 output, and 2 quality indicators. There are also several explanatory notes reported, which provide a context for several of the indicators. The executive budget does not report any outcome or efficiency indicators for this program. Outcome indicators are the most important type of indicator, according to *Advantageus*, because they show program results, effectiveness, and impact. Efficiency indicators are important because they measure productivity. Without a mix of performance indicators in the executive budget, an external user does not have sufficient information to judge the overall performance of the program.

In addition to the 43 indicators (which are all reported in tabular form), the executive budget includes some narrative text that is labeled as "outcome indicators." This information is about savings achieved by refinancing bonds in fiscal year 1995-96. We did not include this information in our assessment of indicators because the work effort upon which the performance is based occurred in the past, with the benefits derived from that work effort extending for several years into the future. In another context, this type of information might provide useful performance indicators. However, in its current context, it does not.

Exhibit 3-4 on page 58 summarizes the results of comparing the Debt Management Program's performance data to the established criteria.

Exhibit 3-4
Results of Comparing Debt Management Program
Performance Data to Established Criteria

Mission	<ul style="list-style-type: none"> - Identifies purpose - Does not clearly identify customers - Is organizationally acceptable
Goals	<ul style="list-style-type: none"> - 3 of 3 are consistent with program and Office of State Treasurer mission - 0 of 3 provides direction - 3 of 3 reflect destination
Objectives	<ul style="list-style-type: none"> - 11 of 11 are consistent with goals - 3 of 11 are fully measurable - 1 of 11 is partially measurable - 1 of 11 is timebound - 8 of 11 specify desired end results
Performance Indicators	<ul style="list-style-type: none"> - 3 of 43 measure progress toward objectives - 42 of 43 are consistent with objectives - 17 of 43 are clear and easily understood

Source: Prepared by legislative auditor's staff from results of comparison of 1997-98 executive budget performance data to criteria in Exhibit 3-1.

Recommendation

3.1 Department of the Treasury and OPE staff should work together to ensure that the specific deficiencies we identified for the Debt Management Program are corrected. Specifically, we recommend that they:

- a. Update the mission to clearly identify the program's customers.
- b. Add language to the goals that will show a sense of direction on how to address the program mission.

- c. Ensure that all objectives are measurable and timebound. They should provide specific levels of desired performance and time tables for accomplishment.
- d. Split Objectives #1 and #2 into two and three objectives, respectively. This would make each objective more specific and describe the exact results that are sought. Splitting these objectives will also help ensure that performance indicators relate more directly and easily to the objectives, resulting in better measurement of progress made toward each of the objectives.
- e. Ensure that all performance indicators are consistent with the objectives and measure progress made toward the objectives. In particular, each indicator should correspond to a particular objective and should show whether that objective has been accomplished.
- f. Ensure that all performance indicators are clear and easily understood.
- g. Include a mix of performance indicators in the executive budget and/or supporting document that covers all aspects of the program's performance, including at least one outcome for each objective.

Implementing this recommendation would help provide clearer and more complete information for legislators and others to use in budgetary decision making.

Objectives and Performance Indicators for Investment Management Program Need Improvement

The Investment Management Program's mission and goals as reported in the 1997/98 executive budget meet all of the established criteria. However, the objectives do not. None of the objectives are measurable or timebound, and five have no corresponding performance indicators reported. In addition, the program does not have a mix of performance indicators reported. For these reasons, the objectives and performance indicators do not collectively provide sufficient information about program performance to use in budgetary decision making.

The performance data for the Investment Management Program are presented in Appendix D. A summary of our analysis of the performance data is presented in the following paragraphs.

Mission. As previously stated, the mission reported for the Investment Management Program meets all of the established criteria. That is, it identifies the overall purpose of the program, identifies the customers served by the program, and is organizationally acceptable. It is also consistent with the Office of State Treasury mission. As a result, legislators and other users of the executive budget can determine the purpose of this program and whom it is supposed to serve.

Goals. The two goals reported for this program meet all of the established criteria. The goals are consistent with the program and Office of State Treasury missions, they provide a sense of direction on how to address the missions, and they reflect the destination toward which the program is striving. Therefore, these goals provide useful information to legislators and other users of the executive budget on how the program mission will be addressed.

Objectives. The nine objectives reported for the Investment Management Program do not meet all of the established criteria. All nine objectives specify desired end results, and seven (77.8%) are consistent with the goals of the program. However, none of the objectives are measurable or timebound. As a result, they are not useful for tracking specific program accomplishments.

The two objectives that are not consistent with the program goals are #7 and #8. Objective #7 deals with economic development, which has nothing to do with the program's goals of maximizing investment returns on Treasury funds or minimizing tax payments for state citizens. Objective #8, which deals with giving investment and asset management assistance to state and local governmental units, is also not entirely consistent with the program goals, which deal strictly with investment of state funds.

An example of an objective that is not measurable or timebound is Objective #3. This objective says that the Investment Management Program will enhance investment returns and reduce investment risk to the state general fund. This objective is not measurable because it does not include a target level of desired performance for investment returns or reduced investment risks. It is not timebound because it does not have a target date for completion. The objective could be improved, for instance, by

saying that the program will increase investment returns by “X” percent during fiscal year 1997-98. Without specific targets and time frames for accomplishment, program managers have no clear benchmarks against which to measure progress made by the program. In addition, legislators and other users of the executive budget may not be able to tell what the program intends to achieve within a given time frame.

Finally, the executive budget presents the nine objectives in a long list with each objective separated by a semicolon. Performance indicators follow this list of objectives, but each indicator does not clearly correspond to the appropriate objective. For the purposes of our analysis, we tried to link the indicators to specific objectives. We found that only Objectives #1, 3, 7, and 8 have performance indicators that relate to them. In addition, four indicators (#8a, #8, #9 and #9) appear to simultaneously relate to two objectives. Without a clear relation between objectives and indicators, users of the executive budget may become confused about which of the target areas are being addressed.

Performance Indicators. Overall, the 22 performance indicators reported for the Investment Management Program do not provide useful information for budgetary decision making. All 22 indicators are consistent with the objectives, and all are clear and easy to understand. However, performance indicators should measure progress made toward objectives, and none do so because none of the objectives are measurable. That is, the objectives contain no specific targets for accomplishment. As a result, the program’s indicators do not measure progress toward achieving the stated objectives. Furthermore, there is not a balanced mix of indicator types reported. Therefore, overall, the reported indicators provide little information that describes overall program performance.

Of the 22 indicators reported, 9 are inputs, 1 is output, 10 are outcomes, and 2 are quality indicators. The program has no efficiency indicators reported. Efficiency indicators are important because they measure cost-effectiveness and productivity. *Agency* stresses the need for a balanced mix of indicators. Without a mix of performance indicators in the executive budget, an external user does not have sufficient information to judge the overall performance of this program in meeting its objectives. We do commend the agency, however, in developing 10 outcome measures for this program because outcome indicators are the most important type of indicators.

Nine of the performance indicators are reported in narrative format as opposed to table format. Also, four of these narrative indicators duplicate indicators presented in a table. The narrative indicators are reported along with additional explanatory information. Although explanatory data are helpful for putting indicators in proper context, it is difficult to distinguish between the indicators and the explanatory data because it is all presented together in narrative format. GAOB recommends including explanatory data because they help explain variations in performance. However, GAOB also suggests that indicators be presented clearly, in a comprehensive table format, with explanatory data included at the end of the table.

Exhibit 3-1 below summarizes the results of comparing the performance data of the Investment Management Program to the established criteria.

Exhibit 3-1	
Results of Comparing Investment Management Program Performance Data to Established Criteria	
Mission	<ul style="list-style-type: none"> • Identifies purpose • Identifies customers • Is organizationally acceptable
Goals	<ul style="list-style-type: none"> • 2 of 2 are consistent with program and Office of State Treasurer mission • 2 of 2 provide direction/defined destination
Objectives	<ul style="list-style-type: none"> • 7 of 9 are consistent with goals • 4 of 9 is measurable • 4 of 9 is timebound • 4 of 9 specify desired end results
Performance Indicators	<ul style="list-style-type: none"> • 4 of 21 measure progress toward objective • 21 of 21 are consistent with the objective • 21 of 21 are clear and easily understood

Source: Prepared by legislative auditor's staff from results of comparison of 1997-98 executive budget performance data to criteria in Exhibit 3-1.

Recommendation

- 3.5 Department of the Treasury and OPR staff should work together to ensure that the specific deficiencies we identified for the Investment Management Program are corrected. Specifically, we suggest that:**
- All objectives reported in the executive budget and/or supporting document should be measurable and timebound. That is, they should contain specific target levels of desired performance and time tables for accomplishment. This will ensure that the objectives convey exactly what the program plans to achieve by certain dates. The objectives should also be consistent with the program goals.
 - All performance indicators should measure progress made toward achieving the stated objectives. The executive budget and/or supporting document should also include a mix of performance indicator types to convey all aspects of program performance, including at least one outcome for each objective.
 - Performance indicators reported in the executive budget and/or supporting document should be presented clearly, in a comprehensive table format, with explanatory data included at the end of the table, as suggested by GAO.

Implementing this recommendation will help provide clearer and more complete information about program performance to legislators for use in budgetary decision-making.

Little Performance Data Reported for Interim Emergency Board

The performance data reported in the 1997-98 executive budget for the IEB Administrative Program provide little information that is useful for determining program accomplishments. The only piece of performance data reported is a mission. The mission provides useful information because it meets all criteria. However, because no goals, objectives, or performance indicators are reported, the accomplishments of the program cannot be determined.

The mission for the IEB Administrative Program is presented in Appendix D. A summary of our analysis is in the following paragraphs.

Mission. The mission of the IEB Administrative Program is to provide funds for emergencies not anticipated by the legislature. This mission is consistent with the Office of State Treasurer mission regarding the receipt, custody, investment, and disbursement of state funds. It also identifies the overall purpose of the program, identifies the customers served by the program, and is organizationally acceptable. As a result, legislators and other users of the executive budget can tell the purpose of this program and whom it is supposed to serve.

Goals, Objectives, and Performance Indicators. As previously mentioned, the executive budget reports no goals, objectives, or performance indicators for the IEB Administrative Program. Without goals, legislators and other decision-makers cannot determine how the program intends to address its mission. The mission exists as a general statement of intention, with no explanation of how it will be put into practice. Also, when a program has no goals, it lacks information that would help develop objectives that function with the goals as part of a coordinated system of performance measurement.

The executive budget expressly states that no objectives were provided for the IEB Administrative Program. When a program lacks objectives, legislators and other users of the program's performance data have no basis for knowing the measurable ends that are to be achieved by the program, when the program expects to accomplish those ends, and what the results of accomplishing those ends are to be.

The executive budget also expressly states that no performance indicators were provided for the IEB Administrative Program. When a program has no performance indicators, there is no way to tell if the program is accomplishing its objectives.

We discussed the lack of performance data with the IEB staff person. She agreed that there are no goals, objectives, and indicators. She also said that the IEB has no operational plan, and that the IEB, by its very nature and mission, cannot predict when or how often emergencies will occur. She also said that she has no staff, knowledge, or skills to develop these data.

We also spoke with the OPB planning analyst for the Department of the Treasury. She said that she has discussed formulating goals, objectives, and performance indicators with IEB and has requested certain information from IEB. However, she said that no progress has been made to date in developing the performance data. According to the analyst, this is primarily because of the nature of IEB in dealing with emergencies, which are unpredictable. She also said that OPB expects no change in the performance data reported for the IEB in the 1998-99 executive budget.

The lack of goals, objectives, and performance indicators reported in the 1997-98 executive budget means that there is not enough information to enable an external user to make informed decisions about this program's performance. Exhibit 3-6 below summarizes our assessment of the IEB Administrative Program.

Exhibit 3-6
**Results of Comparing Interim Emergency Board
 Administrative Program Performance
 Data to Established Criteria**

Mission	<ul style="list-style-type: none"> ▪ Identifies purpose ▪ Identifies customers ▪ Is organizationally acceptable
Goals	<ul style="list-style-type: none"> ▪ None reported
Objectives	<ul style="list-style-type: none"> ▪ None reported
Performance Indicators	<ul style="list-style-type: none"> ▪ None reported

Source: Prepared by legislative auditor's staff from results of comparison of 1997-98 executive budget performance data to criteria in Exhibit 3-1.

Recommendation

- 3.7 IEB and OPB staffs should continue to work together to ensure that the specific deficiencies we identified for the IEB Administrative Program are corrected. Specifically, we recommend that they develop:

- a. Goals that relate to the program mission and provide information on how the mission will be achieved.
- b. Objectives that relate to the program goals and set specific, measurable, timebound targets for accomplishment.
- c. Performance indicators that relate to the program objectives and measure progress toward achieving the objectives.

Implementing this recommendation will help provide clearer and more complete information about the ICB's performance for use in budgetary decision making.

State Group Benefits Program Performance Data Need Improvement

The performance data reported in the 1997-98 executive budget for the SGBP need improvement. The mission meets most of the criteria but is not consistent with the mission of the Office of State Treasurer. The goal meets some of the criteria but is incomplete. The objective is not measurable or timebound, and the executive budget does not report a mix of performance indicators. Because of these deficiencies, the performance data may not be useful for budgetary decision making.

The performance data for this program are presented in Appendix D. A summary of our analysis of this performance data is in the following paragraphs.

Mission. As mentioned above, the mission reported for SGBP is not consistent with the Office of State Treasurer mission. The SGBP mission is to provide group health and accident benefits and life insurance to state, school board, and participating political subdivision retirees and their dependents, and to administer a Section 129 California Plan. This mission is not consistent with the Office of State Treasurer's mission of receipt, custody, investment, and disbursement of public funds for the state. The Office of State Treasurer mission does not include anything about providing group health and accident benefits and life insurance benefits.

The SGBP mission does identify the overall purpose of the program, and it is organizationally acceptable. However, it does not identify all customers served by the program. That is, it does

not identify current go–crimINAL employees as customers, although R.S. 42:821 and R.S. 42:851 do include current employees as customers. Instead the mission only says that the program provides life, accident, and health benefits to retirees and their dependents. The incomplete nature of the mission or identifying all clients could lead to misunderstanding among legislators as to whom the program serves. It could also cause legislators to believe the program is not meeting the express intent of the law with regard to those served by the program.

Goal. The goal reported for this program is consistent with the program mission. The goal also provides a sense of direction on how to address the mission and reflects the destination toward which the program is striving. However, the goal is incomplete because it does not address life insurance, which is a major program responsibility. The omission of life insurance in the goal may cause legislators to believe that the program does not consider this responsibility to be important or that the program is not pursuing that part of its mission.

Objective. The sole objective reported in the executive budget for SCRP does not provide useful information about the targeted accomplishments of the program. First, the objective is made up of three distinct issues or parts. It is difficult to tell which part is addressed by which performance indicator. These issues would be better addressed as three separate objectives. In addition, none of the three parts are measurable or timebound. There is nothing in the objective that contains a specific, targeted level of performance to be achieved within a certain time frame, and key terms such as “timely” and “accurate” are not defined. Measurable and timebound objectives tell legislators and other users of the executive budget what results will be achieved and when. Finally, only one of the parts of the objective has performance indicators associated with it. Without performance indicators, legislators and other users of the executive budget cannot tell whether the objective is being achieved.

Performance Indicators. The performance indicators reported for this program collectively do not provide useful information about program performance for legislators and other external decision-makers. Although the indicators are easy to understand, none of them measure progress toward the objective because the objective is not measurable. If the objective were improved, the indicators might measure progress made toward the improved objective. In addition, only one of nine performance indicators (11.1%) is directly related to the objective. This is

indicator #5, the average turnaround time for claim payment. For the other eight indicators, there is no clear relationship between the indicators and the objective. Finally, the performance indicators do not communicate the program's impact because there are no outcome indicators reported. There are four inputs, four outputs, and one efficiency indicator. Outcome indicators are the most important because they measure results and assess program impact and effectiveness.

For these reasons, the performance data reported in the 1997-98 executive budget collectively do not provide enough information to enable an external user to make informed decisions about SGBP's performance. Exhibit 3-7 on the following page shows the results of comparing SGBP's performance data to the established criteria. For purposes of our analysis, we split the objective into three parts.

Exhibit 3-7

Results of Comparing State Group Benefits Program Performance Data to Established Criteria

Mission	<ul style="list-style-type: none"> • Is not consistent with Office of State Treasurer mission • Identifies purpose • Does not identify all customers • Is organizationally acceptable
Goal	<ul style="list-style-type: none"> • Is consistent with mission, although could be expanded to include economic impact due to loss of life (life insurance) • Provides direction/reflects destination
Objective	<ul style="list-style-type: none"> • 3 of 3 parts are consistent with goal • 0 of 3 parts is measurable • 0 of 3 parts is timebound • 1 of 3 parts specifies desired end result • 1 of 3 parts has corresponding performance indicators
Performance Indicators	<ul style="list-style-type: none"> • 0 of 9 measures progress toward objective • 1 of 9 is consistent with objective • 9 of 9 are clear and easily understood

Source: Prepared by legislative auditor's staff from results of comparison of 1997-98 executive budget performance data to criteria in Exhibit 3-1.

Recommendation

- 3.7 SGBP and OPB staffs should work together to ensure that the specific deficiencies we identified for the SGBP are corrected. Specifically, they should ensure that:

- a. The mission identifies all of the customers, including current governmental employees, served by the program.
- b. The goal addresses life insurance, a major program responsibility, as well as the other mandated coverages.
- c. The objective is split into three separate objectives. Each one should be measurable and timebound, and each one should have performance indicators associated with it. The staffs may also wish to develop other objectives, as well.
- d. The performance indicators measure progress made toward achieving the objectives. Each indicator should clearly relate to a particular objective, and there should be a mix of performance indicators reported, including at least one outcome indicator for each objective.

Implementing this recommendation would help provide clearer and more complete information to legislators for use in budgetary decision making.

Retirement Systems Need Performance Data

The 1997-98 executive budget does not contain any missions, goals, objectives, or performance indicators for the four state retirement systems listed on page 33 in Chapter 2. The retirement systems are not subject to the same budget process as the department. Instead they are required by R.S. 19-81(B) to submit their annual operating budgets to the Joint Legislative Committee on the Budget. Therefore, their operating budgets are not included in the executive budget.

However, the retirement systems are required by Art. 11-60 of 1995 (R.S. 24-522) to develop performance data. Art. 11-60 says, in part, that all state agencies shall develop specific goals and objectives for each of their programs to include measures of performance. Attorney General Opinion 89-476 says that the state retirement systems are considered to be state agencies. Therefore, the retirement systems are required to follow the provision of Art. 11-60 requiring that performance data be developed.

We interviewed officials of the four retirement systems concerning this issue. The officials of all four systems acknowledged that this provision of Act 1100 does apply to the retirement systems. They said that they do have some data available on investment returns, but they have not formally developed performance data that comply with Act 1100. The School Employees' Retirement System stated that it plans to draft goals, objectives, and performance indicators this year. Without goals, objectives, or performance indicators, it is difficult to determine the performance of the retirement systems' operations.

Recommendation

- 3.7** The staffs of the four state retirement systems should develop performance data (including missions, goals, objectives, and performance indicators) that are in conformity with the criteria listed in Exhibit 3-1. They should seek input from their legislative oversight committees as to types of performance data desired. Implementing this recommendation would help ensure compliance with the mandates of R.S. 26:512(D)(2). It would also help ensure the usefulness of the data to those legislators charged with overseeing the systems.

Matter for Legislative Consideration

- 3.1** The legislature may wish to require that the four state retirement systems report performance data to the Joint Legislative Committee on the Budget as part of their annual budget submissions. The legislature may also wish to require that the performance data be reported to the House and Senate Retirement Committees. This would provide the legislative oversight bodies with detailed information on the operational performance of the systems for use in the committees' oversight and budgetary responsibilities.

Appendix A
List of References Used

Appendix A: List of References Used

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Appendix B
Boards, Commissions, and
Other Entities Related
to the Department of the Treasury

Appendix B: Boards, Commissions, and Other Entities Related to the Department of the Treasury

Board, Commission, or Other Entity	Legal Authority for Purports	Purpose
1. State Bond Commission	Const. Art. VII, Section 8, and R.S. 19:1482	To issue and sell all general obligation bonds of the State of Louisiana. Its bonds or other obligations shall be loaned or sold by the state, directly or through any state board, agency, or commission, or by any political subdivision of the state, unless such action without approval of the Board Commission is obtained.
2. Internal Emergency Board	Const. Art. VII, Section 7(B) and R.S. 19:461.1	To appropriate funds from the state general fund or from any other state fund for the full faith and credit of the state when an emergency arises between members of the Legislature.
3. Louisiana State Employees' Retirement System (LASERS) and Board of Trustees of the Louisiana State Employees' Retirement System	R.S. 11:481 R.S. 11:481	To provide retirement allowances and other benefits for state officers, and employees and their beneficiaries. To manage the Louisiana State Employees' Retirement System, which is to provide retirement allowances and other benefits as described above.
4. Teachers' Retirement System of Louisiana (TRSLS) and Board of Trustees of the Teachers' Retirement System of Louisiana	R.S. 11:782 R.S. 11:821	To provide retirement allowances and other benefits for teachers of the State of Louisiana. To provide for the general administration of and have responsibility for the Teachers' Retirement System of Louisiana, which provides retirement allowances and other benefits as described above.

Board, Commission, or Other Entity	Legal Authority for Purpose	Purpose
<p>8. Louisiana School Employees' Retirement System (LSERS) and</p> <p>Board of Trustees of the Louisiana School Employees' Retirement System</p>	<p>R.S. 11:1181</p> <p>R.S. 11:1001 and 11:1181</p>	<p>To provide retirement allowances and other benefits for school bus drivers, school janitors, school custodians, school maintenance employees, and other school employees employed in the state public school system.</p> <p>To manage the Louisiana School Employees' Retirement System; to provide retirement allowances and other benefits as described above.</p>
<p>9. State Police Pension and Retirement System and</p> <p>State Police Retirement Board</p>	<p>R.S. 11:1002 and R.S. 11:1005</p> <p>R.S. 11:1002</p>	<p>To provide pensions and retirement salaries for qualified terms, unannounced fire retirement officers of the Office of State Police.</p> <p>To manage and administer the State Police Retirement System's fund; to enforce the retirement of any police employee who may be eligible to retire; to determine monthly pensions and retirement salaries; to incur expenses necessary to administer the system; and fund.</p>
<p>10. Medical Disability Board</p>	<p>R.S. 10:2119</p>	<p>To be compensated for either providing the medical care benefits of or conducting medical examinations of members of any other and statewide retirement systems who apply for disability benefits and for submitting findings and recommendations in the appropriate health of members.</p>
<p>11. Louisiana Housing Finance Agency (LHFA) and</p> <p>Board of Commissioners</p>	<p>R.S. 40:608.1 and R.S. 40:608.1</p> <p>R.S. 40:603.4</p> <p>R.S. 41:871</p>	<p>To coordinate housing programs administered by the state or its agencies and instrumentalities.</p> <p>To govern the LHFA.</p>
<p>12. Board of Trustees of the State Employees Group Benefits Program</p>	<p>R.S. 41:871</p>	<p>To provide general administration of all aspects of programs of benefits which constitute the State Employees' Group Benefits Program.</p>
<p>13. Louisiana Deferred Compensation Commission</p>	<p>R.S. 42:1002 and R.S. 42:1005</p>	<p>To administer and continue the Louisiana Public Employees Deferred Compensation Plan.</p>

Board, Commission, or Other Entity	Legal Authority for Purpose	Purpose
11. Public Retirement Systems' Accountant Commission	R.S. 11:1211	To advise and coordinate the development of a plan to insure stability and continuity in receipts for continuing development and growth that will secure and maintain the soundness of the state and statewide retirement systems and pension plans of funds.
12. Cash Management Review Board	R.S. 39:571 and R.S. 39:472	To require all state agencies to submit a report of all banking and checking accounts and the balances of such, to approve the cash management policies and procedures adopted by such state agencies, and to recommend changes in such management law and provisions in domestic appropriation.
13. Fiscal Review Commission	R.S. 39:1311	To review the financial stability of the political subdivisions of the state.
14. Deputy Sheriff's Supplemental Pay Board of Review	Act 18 of 1995/Regular Session	To increase the dignity, for payment of deputy sheriff's supplemental pay.
15. Legislative Worker's Compensation Second Injury Board	R.S. 23:1711 and 1712	To encourage the employment of physically handicapped employees who have a permanent partial disability by protecting employers, group self-insurance funds, and property and casualty insurers from excess liability for workers' compensation for disability. Such disability compensation for disability. Such disability would occur when a subsequent injury to an employee merged with its preexisting permanent physical disability to create a greater disability, that would have resulted from the subsequent injury alone. (Located in the Department of Labor).
16. Legislative Tax-Free Mapping Commission	R.S. 30:1189	To promulgate regulations for the operation of a tax-free mapping program to manage various aspects of the retail function, to act as an advisory and handling link, and to manage various administrative and accounting aspects of the program. (Located in the Department of Revenue).

Board, Commission, or Other Entity	Legal Authority for Program	Program
17. Governor's Advisory Council on Disability Affairs	RS-MR 76-20	To advise the governor on all issues concerning citizens who have disabilities, provide assistance to the Office of Disability Affairs, coordinate state compliance with the Americans with Disabilities Act, and all other duties and functions requested by the governor. (As used in the Office of the Governor.)
18. Louisiana Finance Trust Authority	R.S. 47:1941	To administer, promote, advertise and publicize the Louisiana Student Tuition Incentives and Revenue Trust Program, administered with the Department of Education.
19. Louisiana Lottery Corporation	R.S. 47:1943	To administer the state lottery. (I corporation.)

Source: Created by staff of the Legislative Auditor from Louisiana Revised Statutes, the Louisiana Constitution of 1974, Acts of the Legislature, and executive orders.

Appendix C
Comparison of Missions and Goals
Reported for
Department of the Treasury and
State Employees Group Benefits Program
to Their Legal Authority

Appendix C: Comparison of Missions and Goals Reported for Department of the Treasury and State Employees Group Benefits Program to Their Legal Authority

Budget Unit/Program	Mission and Goal(s)	Legal Authority
Office of State Treasurer Budget Unit	Mission: The Department of Treasury is responsible for the receipt, custody, investment, and disbursement of public funds for the state.	CONSTITUTION, Art. IV, Sec. 9. The treasurer shall be responsible for the custody, investment, and disbursement of the public funds of the state, except as otherwise provided by the constitution. R.S. 49:40711: The state treasurer shall . . . receive and collect, keep all the moneys of this state, and disburse, as required by law to be required and kept by, some other person.
Office of State Treasurer Budget Unit; Administrative Program	Mission: To provide the leadership, support, and oversight necessary to manage, direct, and ensure the effective and efficient operation of the Financial Accountability and Control Program, the Debt Management Program, and the Investment Management Program. Goal: To ensure the effective management of the Treasury Department through policy development, communication, and dissemination of information, provision of legal services and support, and the overall coordination of all programs in the Department of Treasury.	R.S. 49:40712: The state treasurer is the executive head and chief administrative officer of the Department of the Treasury and shall have the responsibility for the policies of the department . . . and for the administration, control, and operation of the functions, programs, and affairs of the department. R.S. 49:40714: The state treasurer is empowered to organize, plan, supervise, administer, execute, and be responsible for the functions and programs vested in the department. R.S. 49:40821(c): The Department of Treasury shall be composed of the executive office of the state treasurer, the office of management and finance, the office of the State Bond Commission, the office of depository control and investment, and such other offices as shall be created by law. R.S. 49:40821(d)(2): Empowers the state treasurer to employ, appoint, remove, assign, and promote such personnel as is necessary for the efficient administration of the executive office of the state treasurer and the performance of its powers, duties, functions, and responsibilities, and also such personnel who are not assigned to an office, so long as necessary for the efficient administration of the department and for the performance of the responsibilities, powers, duties, and functions of the agencies transferred to it.

Budget Unit/Program	Mission and Goals	Legal Authority
Office of State Treasures Budget Unit: Financial Accountability and Control Program	<p>Mission: To perform duties to accomplish constitutional requirements that the treasurer maintain custody and the safety of employees' monies and to ensure that these monies are disbursed out of the state treasury in accordance with constitutional and statutory law.</p> <p>Goals: None.</p>	<p>CONSTIT. ART. IV Sec. 7: The treasurer . . . shall be responsible for the custody, investment, and disbursement of the public funds of the state (except as otherwise provided).</p> <p>R.S. 24:744 gives the deputy state treasurer, who directs and manages this office, responsibility for accounting and other internal functions, as well as additional duties assigned to him by the treasurer. These functions include accounting and budget control, procurement and contract management, management and program analysis, debt financing, personnel management, and grants management for the department and all agencies transferred to it.</p>
Office of State Treasures Budget Unit: Debt Management Program	<p>Mission: To monitor, regulate, and coordinate state and local debt and other related functions, as mandated by the constitution and laws of the State of Louisiana.</p> <p>Goals:</p> <ul style="list-style-type: none"> (1) To manage state debt in an orderly and efficient manner. (2) To improve the process for local debt in receipt. (3) To provide quality services to state and local governments. 	<p>CONSTIT. ART. VII, Sec. 8 (B): No bonds or obligations shall be issued or sold by the state, directly or through any state board, agency or commission, or by any political subdivisions of the state, unless prior written approval of the bond commission is obtained.</p> <p>R.S. 24:1446: The Office of the State Bond Commission shall perform the functions of the state relating to the management, analysis, and control of state debt.</p> <p>R.S. 24:1449: "The state treasurer shall advise the State Bond Commission, the governor, the legislature and other public officials with respect to the issuance of bonds and all other related matters, and shall provide information to rating services, financial institutions and other prospective bond buyers, other interested persons and the general public on all matters relating to the issuance and sale of bonds, the debt structure and the management of the debt of the State of Louisiana and all of its boards, departments, commissions, authorities and agencies. The state treasurer shall organize and administer, within the office of the state treasurer a State Debt Management Section and shall select such personnel as are considered necessary by him to carry out the responsibilities imposed on him hereby."</p> <p>R.S. 24:1449 provides that no agency shall incur debt except from federal taxation to finance a project without the bond commission's approval.</p>

Budget Unit/Program	Mission and Goal(s)	Legal Authority
Office of State Treasurer/Budget Unit: Investment Management Program	<p>Mission: To invest state funds deposited in the State Treasury in a prudent manner consistent with the cash needs of the state, the directives of the constitution and state legislators, and the guidelines and requirements of various funds under management.</p> <p>Goals:</p> <p>(1) To maximize returns while investing in permissible investments and within prudent constraints.</p> <p>(2) To minimize the amount of tax dollars necessary to provide benefits to Louisianians by increasing the amount of funds earned from investments.</p>	<p>CONSTIT. Art. VII Sec. 18 provides that all money in the custody of the state treasurer which is available for investment shall be invested as provided by law.</p> <p>R.S. 46:166(C): The office of state depository control and investment shall perform the functions of the state treasurer relating to accounting and fiscal control and depository control of all funds deposited in the state treasury or otherwise received by the state treasurer, administering the state's cash flow management program, investment of state funds, and assisting the retirement systems transferred to the department with their investment programs.</p> <p>R.S. 46:167(A) states that it is in the best interest of the state of Louisiana to maximize the return on the investments made by the state treasurer.</p> <p>R.S. 46:167(B)(3)(b) says investment goals are: safety of principal first, liquidity second, and capital third.</p>
Interim Emergency Board/Budget Unit: Administrative Program	<p>Mission: To provide funds for emergency events or occurrences not reasonably anticipated by the legislature.</p>	<p>ARTICLE VII Sec. 17(B) between sessions of the legislature, when the board by majority vote determines that an emergency exists, it may appropriate from the state general fund or borrow on the full faith and credit of the state an amount to meet the emergency. . . . an emergency is an event or occurrence not reasonably anticipated by the legislature.</p> <p>R.S. 49:661(A)(1): Whenever, in accordance with the provisions of Article VII, Section 7 of the Constitution of 1974, the interim emergency board is of the opinion that an emergency exists which justifies the appropriation of funds from the state general fund or the borrowing of funds on the full faith and credit of the state in order to meet the emergency, it shall request by letter the written consent of two-thirds of the elected members of each house of the legislature.</p> <p>(2) An "emergency" is an event or occurrence not reasonably anticipated by the legislature.</p>

Budget Unit/Program	Mission and Goal(s)	Legal Authority
<p>Auxiliary Appropriations - Internal Service Fund, State Employees Group Benefits Program Budget Unit: State Group Benefits Program</p>	<p>Mission: To provide group health and accident benefits and life insurance to state, school board, and participating political subdivision retirees and their dependents, and to administer a Section 129 California Plan.</p> <p>Goal: To provide affordable benefits to indemnify its plan members against the economic impact of long-term illness and hospitalization.</p>	<p>W.S. 420311(a)(1)(a): "The State of Louisiana, through the Board of Trustees of the State Employees Group Benefits Program, and each of its governmental and administrative subdivisions, departments, or agencies of the executive, legislative, or judicial branches, and the governing boards and authorities of each state university, college, or each public elementary and secondary school system in this state are authorized to: (i) Procure private contracts of group life and group accidental death and dismemberment insurance covering their respective employees, officials, and department heads or one class or classes thereof, and the dependents of such employees, officials, or department heads or: (ii) Adopt, administer, or operate or contract for all or a portion of the administration, operation, or both, of a self-funded program for that program."</p> <p>W.S. 420311(a)(1)(a) has identical provisions except for (i) "... group health, accident, accidental death and dismemberment, and hospital, surgical, or medical expense benefits."</p> <p>Both statutes above define "employee" as: (i) A classified or unclassified state civil service employee; (ii) A retiree as defined by the rules and regulations of the Board of Trustees of the State Employees Group Benefits Program; (iii) A person who is eligible to receive fifty percent of the insurance premium and receive at least fifty percent of his salary from state or federal funds; (iv) A full-time employee of a school board whose salary is paid entirely from local school board funds, if the school board elects to pay one-half of the insurance premium for the employee; (v) Any other state or school system employee who is not otherwise eligible and who works at least thirty hours per week on a regular basis; (vi) A district supervisor or a district employee or a retired district supervisor or a retired district employee of a soil and water conservation district. (vii) Any judge, judge pro tempore or in full by the state.</p> <p>W.S. 420311(a)(1)(b) provides that EROP's board is empowered "To administer or provide for the administration of an Internal Revenue Service qualified cafeteria plan."</p> <p>W.S. 420311(a) empowers the board to "To negotiate contracts under the provisions</p>

Budget Line/Program	Mission and Goal(s)	Legal Authority
Auxiliary Appropriations - General Service Fund, State Employees Group Benefits Program Budget State State Group Benefits Program (Cont.)		of Chapter 10 of Article III of Title 29 of the Louisiana Revised Statutes of 1950, in the best interests of the State Employees Group Benefits Program and its covered persons"

Source: Prepared by legislative auditor's staff from missions and goals reported in the 1997-98 executive budget, the Louisiana Constitution of 1974, and Louisiana Revised Statutes.

Appendix D

Analysis of Performance Data Reported
in 1997-98 Executive Budget
for Department of the Treasury
and
State Employees Group Benefits Program

Appendix D: Analysis of Performance Data Reported in 1997-98 Executive Budget for Department of the Treasury and State Employees Group Benefits Program

Budget Unit: Office of State Treasurer (64-147)

Mission:

The Department of the Treasury is responsible for the receipt, custody, investment and disbursement of public funds for the state.

Conclusion: The mission provides useful information about the budget unit's progress and efforts.

Source: Prepared by legislative monitor's staff from comparison of 1997-98 executive budget performance data to criteria listed in Exhibit B-1.

Budget Unit: Office of State Treasurer (04-147)

Program A: Administration

(1 mission, 1 goal, 6 objectives, 1 performance indicator)

Mission:

To provide the leadership, support, and oversight necessary to identify, direct, and ensure the effective and efficient operations of the Financial Accountability and Control Program, the Debt Management Program, and the Investment Management Program.

Goal:

To ensure the effective management of the Treasury Department through policy development, communications, and dissemination of information, provision of legal services and support, and overall coordination of all programs in the Department of Treasury.

Objective and Performance Indicator:

- Objective #1:** The Administration Program will lead, support, and implement legislative, regulatory, and financial initiatives to improve the operations of the State Treasury as well as the state's financial position, such as promoting the creation and tracking of a Business Reauthorization "Stacy Day" fund to improve the state's bond rating.
- Objective #2:** The Administration Program will implement a more active management of the equity or stock portion of the Louisiana Education Quality Trust fund's investments, focusing on a fully integrated portfolio of investing, particularly traded stocks.
- Objective #3:** The Administration Program will work to fund the Cash Management Reserve Fund to examine more advantageous methods of processing and investing such as state departments, update the program, further its goals and meet the statutory requirements of the fund.
- Objective #4:** The Administration Program will work with the state's major retirement systems, the private sector and other participants officials to create a Strategic Investment Investments Task Force and help direct users of the investments of the state's retirement systems into Louisiana projects that provide appropriate financial opportunities to the retirees and their beneficiaries.
- Objective #5:** The Administration Program will ensure that the appropriate reports are presented to the legislature, governor, and public.
- Objective #6:** The Administration Program will continue to promote the use of the Louisiana Purchase Card, a program administered by the Department of Social Services with technical and financial help from the State Treasury replacing food stamps and public benefit checks with electronic benefits associated with a debit card.

- > performance indicator #1: Working with the Office of Student Financial Assistance, the State Treasury is preparing to help launch the Student Tuition Assistance and Revenue Trust (START) Savings Program in July 2017; this program is aimed at encouraging families to save for college at other pre-secondary education costs, rather than incurring student loans.

Conclusion: The mission and goal provide useful information about the program's purpose and objective. However, the objectives and performance indicator generally do not provide useful information about program goals (by the program manager) specific to a goal level of performance.

Source: Prepared by legislative auditor's staff from comparison of 1991-98 executive budget performance data to criteria listed in Exhibit 3-1.

Budget Unit: Office of State Treasurer (04-147)
Program B: Financial Accountability and Control

 (1 mission, 4 goals, 3 objectives, 27 performance indicators)

Mission:

 To perform such as accomplish constitutional requirements that the treasury maintain, receive and the safety of taxpayer's monies and to assure that those monies are disbursed out of the State Treasury in accordance with constitutional and statutory law.

Goals:

 None.

Objectives and Performance Indicators
Objective #1: The Financial Accountability and Control Program will provide to local governments the option to receive funds for certain local government programs through the Automated Clearing House (ACH) electronic remittance method.

- ▶ Indicator #1: Number of police jurisdictions surveyed regarding ACH of revenues tax
- ▶ Indicator #2: Number of police jurisdictions utilizing ACH for revenues tax distribution
- ▶ Indicator #3: Percentage of police jurisdictions utilizing ACH for revenues tax distribution
- ▶ Indicator #4: Number of police jurisdictions surveyed regarding ACH of parish equity fund distributions
- ▶ Indicator #5: Number of police jurisdictions utilizing ACH for parish equity fund distributions
- ▶ Indicator #6: Percentage of police jurisdictions utilizing ACH for parish equity fund distributions
- ▶ Indicator #7: Number of police jurisdictions surveyed regarding ACH of parish transportation fund distributions
- ▶ Indicator #8: Number of police jurisdictions utilizing ACH for parish transportation fund distributions
- ▶ Indicator #9: Percentage of police jurisdictions utilizing ACH for parish transportation fund distributions
- ▶ Indicator #10: Number of districts surveyed regarding ACH of deputy sheriff's supplemental pay
- ▶ Indicator #11: Number of districts utilizing ACH for deputy sheriff's supplemental pay
- ▶ Indicator #12: Percentage of districts utilizing ACH for deputy sheriff's supplemental pay
- ▶ Indicator #13: Number of districts surveyed for ACH of SRS
- ▶ Indicator #14: Number of districts utilizing ACH for SRS
- ▶ Indicator #15: Percentage of districts utilizing ACH for SRS

Objective #2: The Financial Accountability and Control Program will enhance utilization of monies into the State Treasury by the establishment of Kansas Dependent Care Accounts (DCA). (Revenue 2814a allow the State Treasury to receive electronic remittance of monies from other state agencies.)

- ▶ Indicator #1: Number of Revenue 2814a established for receipt of electronic remittance of monies by the Department of Health and Senior Services
- ▶ Indicator #2: Number of Revenue 2814a established for receipt of electronic remittance of monies by the Department of Social Services
- ▶ Indicator #3: Number of Revenue 2814a established for receipt of electronic remittance of monies by the Department of Public Safety and Corrections

Budget Unit: Office of State Treasurer (04-147)

Program B: Financial Accountability and Control

(3 missions, 8 goals, 3 objectives, 27 performance indicators)

Objectives and Performance Indicators (Cont.)

- 3. Indicator 44: Number of Revenue 28As established for receipt of electronic remittance of monies by the Department of Revenue and Taxation
- 4. Indicator 45: Number of Revenue 28As established for receipt of electronic remittance of monies by the Department of State / Louisiana
- 5. Indicator 46: Number of Revenue 28As established for receipt of electronic remittance of monies by the Department of Insurance
- 6. Indicator 47: Number of Revenue 28As established for receipt of electronic remittance of monies by the Department of Economic Development
- 7. Indicator 48: Number of Revenue 28As established for receipt of electronic remittance of monies by the Department of Agriculture
- 8. Indicator 49: Number of Revenue 28As established for receipt of electronic remittance of monies by the U.S. Health Care Authority

Objective 01: The Financial Accountability and Control Program will continue to provide quality financial accounting and reporting of the funds and accounts in the State Treasury.

- 4. Indicator 51: Amount of monies distributed to local governments for program administered through the State Treasurer's Office
- 5. Indicator 52: Number of Special Funds in the State Treasury
- 6. Indicator 53: Central Depository Bank Cost

Conclusion: The mission provides useful information about the program's progress and efficiency. However, without goals, it is impossible to tell how the mission will be achieved. In addition, the objective and performance indicators generally do not provide useful information about progress made by the program toward specific, targeted levels of performance.

Source: Prepared by legislative studies's staff from comparisons of 1991-96 executive budget performance data to criteria listed in Exhibit 3-1.

Budget Unit: Office of State Treasurer (04-147)
Program C: Debt Management
(1) missions, 3 goals, 11 objectives, 43 performance indicators)

Mission:

To monitor, regulate, and coordinate state and local debt and other related functions, as mandated by the constitution and laws of the State of Louisiana.

Goals:

- Goal 01: To manage state debt in an orderly and efficient manner
- Goal 02: To improve the process for local debt coverage
- Goal 03: To provide quality service to state and local governments.

Objectives and Performance Indicators

Objective 01: The Debt Management Program will ensure the timely payment of debt service on the state's bonds and maintain the confidence of following

- Indicator 01: Number of paying agent-negative bonds
- Indicator 02: Number of bond issues managed
- Indicator 03: Amount of debt service paid
- Indicator 04: Number of paying agent-negative bonds
- Indicator 05: Number of compliance reports received on time 15

Objective 02: The Debt Management Program will successfully complete a sale of up to \$127,115,000 of General Obligation Bonds (GOBs) in FY17 and track and monitor the capital, equity bill and lines of credit relative to GOBs.

- Indicator 01: Number of GOB sales completed
- Indicator 02: Per amount of GOB sales anticipated
- Indicator 03: Number of projects granted Basis of Credit (LOC) in bond sale
- Indicator 04: Number of projects in priority three granted non-call LOC

Objective 03: The Debt Management Program will reduce internal non-performance in rating agencies, bond insurers and/or guarantors.

- Indicator 01: Number of laboratorial non-performance conditions
- Indicator 02: Louisiana Credit Rating History - Moody's and Standard & Poor's
- Indicator 03: The Debt Management Program will promulgate policy and procedures for the preparation of replacement contracts
- Indicator 04: Number of replacement contracts managed

- Indicator 05: Amount of replacement contracts managed (initially)
- Indicator 06: Number of replacement contracts prepared
- Indicator 07: Amount of replacement contracts prepared (initially)
- Indicator 08: Number of requests for replacement received
- Indicator 09: Amount of requests for replacement received (initially)

Budget Unit: Office of State Treasurer (84-147)
Program C: Debt Management
(1) mission, 3 goals, 11 objectives, 43 performance indicators)

Objectives and Performance Indicators: (C:mc)

Objective #1: The Debt Management Program will prepare a report, as required in the State Bond Commission's State Debt Limit Rule, on the amount of Net State Tax Supported Debt (NSSTD) allowed under the state debt limit for the subsequent fiscal year.

- Indicator #1: Amount of NSSTD issued
- Indicator #2: Per amount of NSSTD allowed

Objective #6: The Debt Management Program will expedite the approval process for local government bond elections and distribute information packets relative to application deadlines.

- Indicator #1: Number of elections reviewed
- Indicator #2: Number of election administration meetings held

Objective #7: The Debt Management Program will monitor and manage the expedited review process for eligible local government bond purchases.

- Indicator #1: Number of issues reviewed under the process

Objective #8: The Debt Management Program will staff and monitor the Fiscal Review Committee (FRC).

- Indicator #1: Number of FRC committee meetings held
- Indicator #2: Number of minutes on watch list

Objective #9: The Debt Management Program will provide accurate information to the State Bond Commission on matters to be considered for approval.

- Indicator #1: Number of regular committee meetings held
- Indicator #2: Number of special committee meetings held
- Indicator #3: Number of subcommittee meetings held

Objective #10: The Debt Management Program will provide assistance to local governments, state agencies, and public trusts with the issuance of debt.

- Indicator #1: Number of local bond issues reviewed (all items)
- Indicator #2: Per amount of local bond issues reviewed (all items)
- Indicator #3: Number of issues reviewed
- Indicator #4: Per amount of issues reviewed (all items)
- Indicator #5: Number of state agency issues reviewed
- Indicator #6: Per amount of state agency issues reviewed (all items)
- Indicator #7: Number of public trust issues reviewed
- Indicator #8: Per amount of public trust issues reviewed (all items)
- Indicator #9: Number of political subdivisions reviewed
- Indicator #10: Per amount of political subdivisions reviewed (all items)
- Indicator #11: Number of EBAs reviewed
- Indicator #12: Per amount of EBAs reviewed
- Indicator #13: Total number of local bond issues, issues, state agency issues, public trust issues, political subdivisions, and EBAs reviewed

Budget Unit: Office of State Treasurer (04-1407)

Program C: Debt Management

(1 mission, 3 goals, 11 objectives, 43 performance indicators)

Objectives and Performance Indicators: (Cont.)

- ▶ Indicator #19: Total per amount of bond (bond issues, loans, state agency loans, public trust loans, political subdivisions, and bills received) (millions)

Objective #11: The Debt Management Program will ensure the timely deposit of fees and timely payment of any interest to insure that yield closing that in the current fiscal year.

- ▶ Indicator #1: Number of checks deposited
- ▶ Indicator #2: Number of written days a rebate
- ▶ Indicator #3: Amount of rebated yield

Conclusion: This indicator provides useful information about the program's purpose but does not clearly identify the program's objective. The goal provides more useful information but could be more thorough. The objectives and performance indicators generally do not provide useful information about program goals by the program (and specify a period length of performance).

Source: Prepared by Legislative Budget Commission of 1991-96 executive budget performance data by objective listed in Exhibit S.1.

Budget Unit: Office of State Treasurer (64-147)

Program D: Investment Management

(1 mission, 3 goals, 9 objectives, 22 performance indicators)

Mission:

To invest state funds deposited in the State Treasury in a prudent manner, consistent with the call needs of the state, the direction of the constitution and state legislatures, and the priorities and requirements of various funds under management.

Goals:

- Goal 01: To maximize returns, while investing in permissible investments and within prudent constraints.
- Goal 02: To maximize the amount of tax dollars necessary to provide benefits to Louisiana by increasing the amount of funds earned from investments.

Objectives and Performance Indicators

Objective 01: The Investment Management Program will invest daily receipts to the various funds of the state, in a professional prudent manner, consistent with modern investment practices, while maintaining sufficient liquidity to meet cash needs.

- Indicator 01: The one-year treasury bill yield averaged 3.61%.
- Indicator 02: The three-year treasury note yield averaged 3.14%.
- Indicator 03: The State of Louisiana has deposits at 53 financial institutions, comprising in excess of \$274 billion in certificates of deposit (CDs).

- Indicator 04: Periodic investments (includes State General Fund and Special Funds) - investment income
- Indicator 05: Periodic investments (includes State General Fund and Special Funds) - cost of return on investments
- Indicator 06: Periodic investments (includes State General Fund and Special Funds) - securities trading, success
- Indicator 07: Periodic investments (includes State General Fund and Special Funds) - average business

Objective 02: The Investment Management Program will maintain prudent investment procedures that provide protection to staff and management.

Objective 03: The Investment Management Program will reduce investment returns and reduce investment risk to the State General Fund.

Objective 04: The Investment Management Program will secure the security of substantial deposits.

Objective 05: The Investment Management Program will reduce investment returns and reduce investment risk to the Louisiana Education Quality Trust Fund.

(LQETF or EQF) Fund.

- Indicator 01: The LQETF ended FY 2016-16 with a market value of \$799.1
- Indicator 02: Presently, the first allocation of \$40 million, invested in a passive index, has been completed in order to capture bond market movements for the benefit of the fund. This second allocation of 15% to 17% has been allocated during FY 2016-17.
- Indicator 03: As a result, the Bond returned \$1.5 million more than it would have if a had remained restricted to investing exclusively in fixed-income investments such as government securities.
- Indicator 04: LQETF (also known as EQF) or Education Trust Fund - investment income
- Indicator 05: LQETF (also known as EQF) or Education Trust Fund - equity income

Budget Fund: Office of State Treasurers (84-847)

Program B: Investment Management

(1 mission, 2 goals, 9 objectives, 12 performance indicators)

Objectives and Performance Indicators: (C and I)

Objective #1: (C and I)

- Indicator #1: LIBBY (aka Issues at Risk) or Education Trust Fund - total use of money on investments
- Indicator #1: LIBBY (aka Issues at Risk) or Education Trust Fund - support fund allocation
- Indicator #1: LIBBY (aka Issues at Risk) or Education Trust Fund - permanent fund allocation
- Indicator #1: LIBBY (aka Issues at Risk) or Education Trust Fund - associates funding income
- Indicator #1: LIBBY (aka Issues at Risk) or Education Trust Fund - permanent fund balance

Objective #6: The Investment Management Program will ensure the sustainability of investments and the integrity of performance evaluations in the LIBBY.

Objective #7: The Investment Management Program will address economic development opportunities for small businesses through interest rate buy downs (Linked Deposit Program).

- Indicator #1: 600 businesses have been financed (Linked Deposit Program)
- Indicator #1: In excess of 2,500 jobs have been created since its inception (Linked Deposit Program)
- Indicator #3: Pooled investments include State General Fund and Special Funds - economic development has deposits outstanding
- Indicator #4: Pooled investments include State General Fund and Special Funds - agreement processing has deposits outstanding

Objective #8: The Investment Management Program will provide assistance to state agencies and local governing units to enhance asset management and investment earnings.

- Indicator #1: The LAMP is a separate corporation and currently has assets of over \$300 million.

Objective #9: The Investment Management Program will keep abreast of newly developed investment products and strategies that may enhance the investment returns of stable asset funds managed by the State Treasurer's Office.

Conclusion: The metrics and goals provide useful information about the program's progress and financials. However, the objectives and performance indicators generally do not provide useful information about progress made by the program toward specific targeted levels of performance.

Source: Prepared by legislative auditor's staff from comparison of 1997-98 associated budget performance data to criteria listed in Exhibit 1-1.

Budget Unit: Interim Emergency Board (84-18)**Program A: Administrative****(1 mission, 0 goals, 0 objectives, 0 performance indicators)**

Mission:

To provide funds for emergency needs not normally anticipated by the legislation.

Goal:

None.

Objectives and Performance Indicators:

None.

Comments: The mission provides useful information about the program's purpose and climate. However, without goals, it is impossible to tell how the mission will be achieved. In addition, without objectives and performance indicators, it is impossible to determine progress made by the program toward specific targeted levels of performance.

Source: Prepared by legislative auditor's staff from comparison of 1974-76 executive budget performance data to criteria listed in Exhibit 1-1.

Budget Unit: Auxiliary Appropriations -- Internal Service Fund (21-400)

State Employee Group Benefits Program

Program A: State Group Benefits Program

(1 mission, 1 goal, 1 objective, 9 performance indicators)

Mission:

To provide group health and accident benefits and life insurance to state, school board, and participating political subdivision retirees and their dependents, and to administer a Section 129 Children Plan.

Goal:

To provide affordable benefits to indemnify plan members against the economic impact of long-term illness and hospitalizations.

Objective and Performance Indicators:

Objective #101: The State Group Benefits Program will provide constant monitoring of industry practices.

Objective #102: The State Group Benefits Program will track the availability and continuous maintenance

Objective #103: The State Group Benefits Program will allow the timely and accurate adjustment of claims

- Indicator #1: Number of indemnity plan members
- Indicator #2: Number of health maintenance organization members
- Indicator #3: Total number of health and accident claims processed annually
- Indicator #4: Total amount of health and accident claims payments
- Indicator #5: Average turnaround time for claims payment
- Indicator #6: Number of agency visits, coordinators, and inquiries handled
- Indicator #7: Number of plan member telephone inquiries handled
- Indicator #8: Program staff satisfaction (T.O.)
- Indicator #9: Percentage of total program costs that are administrative

Conclusion: The mission provides useful information about the program's purpose but does not fully identify the program's clientele. It is also inconsistent with the Office of State Transparency mission. The goal provides useful information about how the mission will be addressed, but it is incomplete. The objective and performance indicators generally do not provide useful information about program needs by the program toward specific targeted levels of performance.

Source: Prepared by legislative auditor's staff from comparison of FY17-18 executive budget performance data to criteria found in Exhibit 3-4.

Appendix E

Currently Authorized Special Funds With Zero Balances and No Revenue or Expenditures for Fiscal Year 1996-97

Appendix E: Currently Authorized Special Funds With Zero Balances and No Revenue or Expenditures for Fiscal Year 1996-97

Description	Purpose	Legal Authority	Created
1. Board of Commissioners of the Lake Charles Harbor and Terminal District Fund	To regulate the commerce and traffic of the Lake Charles Harbor and Terminal District in the best interest of the public, to dredge and maintain shipways, channels, and towing basins, to establish and maintain navigable waterway systems, to acquire and purchase land that might be necessary for the business of the district, to lease or sublease for processing and manufacturing purposes lands or buildings owned or acquired by the district, to borrow from any person or corporation using or creating land, enough money to make improvements.	R.S. 34:201 R.S. 34:203 R.S. 34:207	11/4/93
2. General Highway Fund	To be used for the construction, maintenance, and repair of public highways, to pay Department of Transportation and Development expenses, including compensation of its officers and employees, and the performance of its duties and functions.	R.S. 48:181-183	11/4/52
3. Louisiana Board of Chiropractic Examiners Fund	To provide for the operating expenses of the Board and other expenses incurred in administering the Chapter governing the chiropractic profession.	R.S. 37:2884 R.S. 37:2889	5/20/74
4. Louisiana State Wildlife Refuge and Game Preserve Fund	To defray the expense of maintaining, policing and improving the Louisiana State Wildlife Refuge and Game Preserve. Half the moneys in the fund go into a trust. When the trust reaches a self-sustaining amount of \$5 million, interest from the trust is used to maintain, police, and improve the preserve. All revenues generated from the preserve are then credited to the general fund.	R.S. 36:799	10/20/76
5. Tax Surplus Fund	To be used for the purpose of making tax refunds.	R.S. 47:5008 R.S. 47:5009	5/18/79
6. Louisiana Sorghum and Grain Research and Promotion Board Fund	To promote the growth and development of the soybean, wheat, corn, and grain sorghum industries in Louisiana by research and subventions, thereby promoting the general welfare of the people of this state.	R.S. 5:251, 31-5:251, 36	6/9/80
7. Louisiana Auctioneers' Licensing Board Fund	To be composed of fees paid to the board, which performs various duties related to the licensure of auctioneers and auction fees.	R.S. 37:3179 R.S. 37:3122 R.S. 37:3111	9/29/84

Description	Purpose	Legal Authority	Created
8. Louisiana State Board of Private Security Examiners Fund	To be used for the programs and purposes of the board. The board performs various activities to regulate the profession.	R.S. 17:3189 R.S. 17:3174	11/83
9. Stewardship Account	To provide for the proper management of lands acquired by the Department of Wildlife and Fisheries for the state's portfolio of natural lands, state parks, state forests, and wildlife and fishery management areas.	R.S. 56:1902 R.S. 56:1904	7/68
10. Minority Health Professions Education Fund	To provide scholarships and loans to students from underrepresented minority groups who are accepted to or enrolled in schools of medicine, dentistry, and nursing and only in the amounts appropriated by the legislature.	R.S. 17:5844.5	9/98
11. Homeless Relief Fund	To match funds from local communities on a 50 percent state and 50 percent local ratio basis to assist local entities in funding relief programs for the homeless.	R.S. 46:585	9/98
12. Small Contract Bond Fund	To offset future deficits which may arise under the program, subject to legislative appropriation.	R.S. 56:2206(E)	9/89
13. Louisiana University Faculty Incentive Fund	To provide for salaries or salary supplements or other expenses directly related to scholarly work for eligible faculty members at the university.	R.S. 17:1291.5	9/89
14. Louisiana Indigent Health Care Trust Fund	To expand Medicaid eligibility for the indigent, to promote alternative health care delivery systems, to supplement and enhance the scope of Medicaid coverage, to increase reimbursement to providers to assure access to care, to provide for accompanying expenditures necessary when existing programs do not cover the health needs of the indigent.	R.S. 46:2191.2 R.S. 46:2191.5	9/89
15. Louisiana Indigent Health Care Trust Fund--Permanent Fund	To create a permanent fund to serve the above purposes. Twenty percent of the money from the Louisiana Indigent Health Care Trust Fund is set aside to form the permanent fund.	R.S. 46:2191.5(2)	9/89
16. Transportation Infrastructure Model for Economic Development Account	To be used solely to fund the Transportation Infrastructure Model for Economic Development program through the Department of Transportation and Development.	R.S. 47:826.2	11/98
17. Louisiana Rice Promotion Board Fund	To promote the growth and development of the rice industry in Louisiana by promotion of rice, thereby promoting the general welfare of the people of this state.	R.S. 3:551.41 R.S. 3:551.64	7/81

Description	Purpose	Legal Authority	Created
16. Coastal Environment Protection Trust Fund	To provide for coastal environmental protection through the following activities: development and implementation of the annual coastal environmental protection plan, pilot projects for protection and restoration of coastal forests or habitats, and research into coastal environmental problems. To match monies for federal, local, or private funds for programs or projects.	R.S. 58:113-108	5/1/91
19. Louisiana Opportunity Loan Fund	To provide low-interest educational loans to middle-income students.	R.S. 17:595-2(A) R.S. 17:594	5/1/91
20. Health Professional Development Fund	To meet the emergency resulting from a shortage of medical doctors and nurses in health manpower areas in the state, to increase the number of primary practitioners in shortage areas through loan repayment and scholarship programs, and a physician extension and recruitment program.	R.S. 40:1300.1 R.S. 40:1300.5	5/5/91
21. Used Oil Recycling Trust Fund	To provide technical assistance, grants, subsidies and loans to local government, as well as technical assistance and incentives to municipalities collection or recycling facilities, to encourage the collection, reuse, and proper disposal of used oil, to provide for public education and research.	R.S. 58:1477	5/5/91
22. Higher Education Louisiana Partnership Fund	To endow professorships or facilities construction of renovation totaling \$500,000 or more; to endow undergraduate scholarships, library acquisitions, laboratory enhancement or research and equipment acquisitions totaling \$20,000 or more.	Const. Art. VII Sec. 18.4	10/1/91
23. Fund for the Louisiana State Board of Private Investigator Examiners	To be used for the programs and purposes of the board. The board performs various activities to regulate the profession.	R.S. 17:1523(A) R.S. 17:1585	8/21/92
24. Quality Science and Mathematics Trust Fund	To provide a permanent basis for the acquisition of science and mathematics supplies and equipment.	R.S. 17:773(A)(7)	8/21/92
25. Quality Science and Mathematics Copying Fund	To provide a mechanism by which a continuous supply of appropriate supplies and materials can be obtained, maintained and made available to those teachers ready and able to provide their students with appropriate and challenging instruction in science and mathematics.	R.S. 17:773(B)(7) R.S. 17:771(B)	8/21/92
26. Louisiana Endowment Fund for Unmet Scholarships	To provide challenge grants which shall be administered by the Board of Regents. Each university shall establish its own Regents Scholarship Fund for each challenge grant as a depository for private contributions and state matching funds.	R.S. 17:3984	8/21/92

Description	Purpose	Legal Authority	Created
27. Community Based & Rural Health Care Fund	To provide services to indigent or low-income citizens in local communities and rural areas.	R.S. 48:1195.1	8/21/90
28. Louisiana Board of Massage Therapy Fund	To be used for the programs and purposes of the board. The board performs various activities to regulate the profession.	R.S. 17:1862(F) R.S. 17:3815	9/1/90
29. Louisiana Welcomes Center Enhancement Fund	To finance capital improvements at welcome centers in the state, subject to appropriation by the legislature.	R.S. 50:1262.1	8/15/90
30. Office of Motor Vehicle Testing Fund	To fund the operation of the office of motor vehicles.	R.S. 32:412(F)	8/21/90
31. Lead Hazard Reduction Fund	To provide for programs and activities designed to protect the health and welfare of Louisiana citizens through reduction of lead in the environment.	R.S. 30:2034 R.S. 30:2150.41	8/21/90
32. Louisiana Education Tuition and Savings Fund	To provide for the payment of obligations of the Louisiana Tuition Trust Authority pursuant to tuition payment contracts, specifically, to make payments to beneficiaries, or to institutions of higher education on behalf of beneficiaries, and to make refunds.	R.S. 17:125.4 R.S. 17:3899	6/28/95
33. Mediated Access Trust Fund	To facilitate the state purchase of private health insurance, benefit payment schedule plans, or managed care plans for participants and other individuals who are eligible for participation in the demonstration project. Interest may be designated as a reserve for state matching funds for federal monies.	R.S. 46:860.7	6/28/95
34. St. Helena Parish Tourist Commission Fund	To be used exclusively by the St. Helena Parish Tourist Commission.	R.S. 47:332.23	7/9/95
35. Louisiana Inmate Arts Trust Fund	To provide Louisiana citizens who have been the victims of crime an additional source of monies to assist them in recovery from the pecuniary loss suffered as the consequence of crime, and help defray expenses of the department in processing and conducting such sales.	R.S. 46:2640	8/15/95
36. Louisiana Small Business Incubator Fund	To provide financial resources for qualified local entities, both private nonprofit and public, to establish, operate, or expand a small business incubator.	R.S. 51:2101 R.S. 51:2121	8/15/95
37. St. James Parish Enterprise Fund	To be used exclusively for the acquisition of land and the acquisition and/or construction of buildings for use as the St. James Convention Facility and other multipurpose buildings, including an agricultural arena and farmer's market.	R.S. 47:332.23	7/9/95

Source: Created by legislative auditor's staff from information supplied by the Department of the Treasury, Louisiana Revised Statutes, and the state constitution.

Appendix F
Department of the Treasury's
Response



TREASURER OF THE STATE OF LOUISIANA

NEW ORLEANS
LOUISIANA

P. O. Box 401110
New Orleans, LA 70134
(504) 343-0210

March 10, 1998

David G. Kyle, PH.D.
Legislative Auditor
Office of the Legislative Auditor
P.O. Office Box 90897
Baton Rouge, Louisiana 70804

RE: ACT 118 OF 1995

Dear Dr. Kyle:

In connection with the audit of the Office of the Treasury (Treasury) pursuant to Act 100 of 1995 for fiscal year 1997-98, the following is the response of the Office of the Treasury to the audit report.

First, I would like to reiterate to readers of this report that the State Group Benefits Program and the Insulin Emergency Board are placed in the Treasury under the Executive Reorganization Act; however, those two entities were transferred pursuant to Section 801.1, with retention of all functions and 802, with retention of policy making and rulemaking functions, respectively. Thus, these entities are not included in the mission statement of the Treasury.

The management staff has worked to improve Office of the Treasury's mission, goals and objectives to provide its' citizens and other responsible parties with a more meaningful operational plan each fiscal year. As a result, our operational plan for fiscal year 1998-99 has addressed a majority of the recommendations pertaining to goals, objectives and performance indicators.

We appreciate the assistance provided by the Office of Planning and Budget to Treasury staff in the on-going process to improve each year's operational plan and to the legislative audit team for their consideration of our reply submitted during this time of the year and in the professional manner in which the audit was conducted.

Sincerely,

Carl V. Borshelt
First Assistant

Appendix G
Interim Emergency Board's
Response

The Interim Emergency Board chose not to provide a written response to this audit report.

Appendix H

State Employees Group Benefits Program's Response



State of Louisiana

BOARD OF TRUSTEES
STATE EMPLOYEES GROUP BENEFITS PROGRAM
P. O. BOX 4499, CAPITOL STATION
BATON ROUGE, LOUISIANA 70804

March 27, 1998

Dr. David G. Kyle, Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94697
Baton Rouge, LA 70804

RE: Audit Response Program Authority and Performance Data

Dear Dr. Kyle:

I have reviewed the preliminary draft of the audit to the Program Authority and Performance Data that was performed on the Department of Treasury, including the State Employees Group Benefits Program. It appears that there were some concerns in the following areas:

CONCERN

The mission statement does not identify all customers served by the program.

RESPONSE

The mission statement for years prior to 1997/98 did include a listing of all the major client groups that are served by this Program. This was due to the words "active employees" being omitted from this statement and the error was not caught during the edit and review of the final Budget Request being submitted to the Office of Planning and Budget (OPB). This error has been brought to the attention of the staff at OPB and the correction will be incorporated into the 1998/99 Executive Budget.

CONCERN

The mission of the Program is not consistent with the overall constitutional purpose of the Department of Treasury.

RESPONSE

The mission statement for the Program has been prepared separate from that prepared by the Department of the Treasury. This is a matter of legislative concern which is currently being addressed in the Special Legislative Session.

an Equal Opportunity Employer

Dr. Daniel G. Kyle

Page 2

CONCERN

The goal reported for SGRP could be expanded to address life.

RESPONSE

The Board of Trustees of the Program has addressed the Strategic Planning process and has adopted a new mission statement that will be incorporated into the Operational Plan for 1998/99.

CONCERN

The objective and performance indicators reported for SGRP do not collectively provide meaningful information about program progress and accomplishments.

RESPONSE

The Board of Trustees has directed and aided the Program in starting into a more comprehensive Strategic Planning process. This strategic plan will include an updated Mission and Vision statement, as well as new goals, objectives and performance indicators. This plan will be submitted to the OPR by July 1, 1998.

If I can supply any additional information to you or your staff please do not hesitate to contact me at (304) 925-6613.

Sincerely,



Bruce Miner
Accountant Administrator 3

BIM

cc: Mr. James R. Plazencia
Ms. Kaye G. Millner

Appendix I

Four State Retirement Systems' Responses

Louisiana State Employees' Retirement System
Teachers' Retirement System of Louisiana
Louisiana School Employees' Retirement System
State Police Pension and Retirement System

The Louisiana State Employees' Retirement System chose not to provide a written response to this audit report.



TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

8401 United Plaza Boulevard • 70804-2017
P. O. Box 94123 • Baton Rouge, Louisiana 70804-9123
Telephone: (504) 931-6446 • TDD: (504) 921-1613
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ASST. DIRECTOR
Craig A. Gaudin
Executive Director

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College of Educators

Lawrence J. Woods, Jr.
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Ray M. Bouchard
Vice President

Edward J. Bennett
SVP/COO

G. L. Smith
SVP

David R. Ireland
SVP

James T. Bennett
SVP/COO

David R. Butler
VP/COO

Thomas W. "Tom" McNeil
Superintendent

Michael Smith
Retired Teacher

John T. Jean
School Superintendent

BY APPOINTMENT

Barbara A. Benson
State Treasurer

Francis G. Holman
Chairman, State
Retirement Committee

Carl J. Hunt
State Superintendent
of Education

Walter T. Kelly
Chairman, State
Retirement Committee

BOARD COUNSEL

William T. Rivers, II

LEGAL COUNSEL

Loisley/Stein

March 30, 1998

Daniel G. Kyle, Ph.D., CPA, CFE
Office of the Legislative Auditor
1600 North Third Street
Post Office Box 94367
Baton Rouge, Louisiana 70804-6367

Dear Dr. Kyle:

This letter is in response to the performance audit of the Department of the Treasury recently completed by your office. In reply to Recommendation 3-8 given in Chapter 3, the Teachers' Retirement System of Louisiana currently has available most of the performance information and goals listed in Exhibit 3-1 of the performance audit. We will restructure this information to meet the recommended format.

Sincerely,

James P. Hackley, Jr.
Director

JPH:bjj

The Louisiana School Employees' Retirement System chose not to provide a written response to this audit report.

Appendix J

Division of Administration,
Office of Planning and Budget's
Response



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF PLANNING AND BUDGET

W. J. "BOB" POLSTER, JR.
COMMISSIONER

MARK C. ORSHAN
COMMISSIONER OF ADMINISTRATION

April 1, 1988

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94377
Baton Rouge, LA 70804-8397

Re: Analysis of Program Authority and Performance Data for Department of the Treasury

Dear Dr. Kyle:

Thank you for including members of our staff in the process of your office's performance audit of the Department of the Treasury.

Our office generally agrees with audit recommendations regarding ways to improve planning and performance accountability for the Department of the Treasury. Some recommendations have already been included in the executive budget documents prepared for FY 1988-89. Further improvements are anticipated as the department completes its strategic planning process.

We appreciate the role your office contributes to the success of the Louisiana Government Performance and Accountability Act. Among our recommendations to agencies is the suggestion that they consider the information presented in your performance audits during their strategic planning efforts.

Sincerely,

Stephen R. Winklers
State Director of Planning and Budget

SRW/KSL