

Auditing Performance Management Systems

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2

Course Learning Objectives and Background Information

After completing this course, you should understand how to:

- Audit existing performance management systems to determine what improvements can be made in the overall system and in subsystems including performance planning, budgeting, monitoring and reporting, and decision making
- Audit existing performance management systems to determine how to better use them in decision making

Sloan Foundation-IIA Project: Auditor Roles in Government Performance Measurement

- Three-Year Project (2007-09) funded by the **Sloan Foundation & The IIA**; **ALGA** and **NASACT** signed on as early partners.
 - *More partners welcome.*
 - **AGA** is now marketing project courses.
- **Project Mission**
Advance how auditors contribute to strengthening government performance and accountability by stimulating greater auditor involvement in improving how public performance is measured and managed.

IIA-Sloan Project Focuses on a Framework of Auditor Roles & Practices (“New Service Model”) *developed from:*

- Auditors’ responses to surveys and interviews.
- Auditors’ reports and methodologies.
- An analysis of exemplary practices from audit organizations across North America.

So these roles and practices not only form a logical framework, they are also experienced-based: they work in practice.

- Published in: ***Auditor Roles in Government Performance Measurement: A Guide to Exemplary Practices at the Local, State, and Provincial Levels*** by Paul Epstein, Stuart Grifel, & Stephen Morgan (IIA Research Foundation, 2004)

Download this book free from: www.AuditorRoles.org

What Services Does the New Sloan-IIA Performance Measurement Project Provide?

- ***Training courses*** to support development and implementation of any of the defined auditor roles your organization may consider establishing or strengthening.
- ***Multifunctional, regularly updated website*** with examples from practice, tools, & resources to support auditors pursuing any of the defined auditor roles.
- ***Special presentations & dialogs*** at conferences, meetings, and other events to ***encourage auditors and non-audit officials (in 2008-09)*** to support government performance measurement and management.

Auditor Roles in Performance Measurement Website Has

- **Professional Context & Issues**, e.g., contextual models, independence issues.
- **Exemplary Practices**: numerous examples from audit offices across North America, many with links to reports.
- **Tools for Auditors**, e.g., criteria, audit programs & steps, checklists, guidance for audit staff or auditees.
- **Case Histories** of how audit offices have changed roles & practices over the years to add more value.
- **Training Courses & Schedule**
- **Topical Articles**

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7

A New Service Model: Five Roles Auditors Play in Government Performance Measurement



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8

The five roles that have emerged include two “traditional” auditor roles:

Role 1: Audit Performance or PM Systems:

Auditing Performance or Performance Management Systems

Role 2: Assess Performance Information:

Assessing the Quality of Performance Information or Performance Reports

... and three “nontraditional” roles for auditors:

Role 3: Define or Measure Performance:

Developing Performance Measures or Measuring Performance Outside the Traditional Audit Process

Role 4: Encourage or Assist Management:

Planning, Designing, Improving, or Advocating for Performance Management Systems and Their Use

Role 5: Assist Elected Officials or Citizens:

External Reporting, Capacity Building, or Advocacy for the Use of Performance Information

Role 1. Audit Performance or PM Systems

Practices:

- **Practice 1a. Audit Performance:** Measure or assess performance during an audit or other study based on authoritative auditing standards.

- **Practice 1b. Audit Performance Management Systems:** Audit or assess existing performance management systems or practices.

Performance Management & Performance Management Systems

Performance Management:

Using performance information to help make better decisions.

Performance Management System:

Use of performance information on a regular basis as part of a continually repeated cycle of performance monitoring, analysis, and improvement, in which measured results are fed back into decision making to improve future performance.

Performance vs. Process Accountability

Process accountability is attained by establishing process or “project” goals or objectives and determining whether they are achieved.

- **ANSWERS:** Did we do what we said we would do?

Performance accountability is attained by establishing performance goals & objectives and measuring whether the goals are achieved.

- **ANSWERS:** Did we accomplish expected results?

Comprehensive Performance Management Systems to “Manage for Results”

- **Use performance information to link multiple governance and management systems of an organization, usually including:**

- Strategic or Long-term Planning
- Annual Business or Service Planning
- Budgeting
- Performance Monitoring & Reporting

Could include more, e.g., staff evaluation & compensation, performance auditing

- **The linkages should create a “line of sight” of performance expectations and efforts to fulfill them across all systems, and across the organization.**

Comprehensive Performance Management Systems

- ***Can have various stakeholders playing key roles:***
 - Citizens and taxpayers
 - Elected officials
 - Managers
 - Employees
 - Auditors
 - Other stakeholders

Fundamental Values

- Performance management systems assume public officials have the responsibility to:
 - Be effective
 - Demonstrate effectiveness

How Performance Management System Audits Differ from Performance Audits

- **Program Performance Audits:**
 - Can be measurement based *or* control-based.
 - When measurement-based, auditors may use existing performance data, collect their own data, or both to *evaluate the performance of the program*.
- **Performance Management System Audits:**
 - Are control-based: Auditors assess systems and how they are used against best practices.
 - Auditors do *not* collect data or evaluate program performance.
 - Auditors review performance information used in the system, ***and how it is used*** for improving decisions, results, and accountability, but *not whether decisions or results improved*.

Role 1, Practice 1b —

Audit Performance Management Systems

- Determine if existing performance accountability or measurement systems are adequate, and are appropriately linked to form a “comprehensive performance management system.”
- Compare to models, guidelines, requirements, or other criteria
- Recommend system improvements

Examples at www.AuditorRoles.org

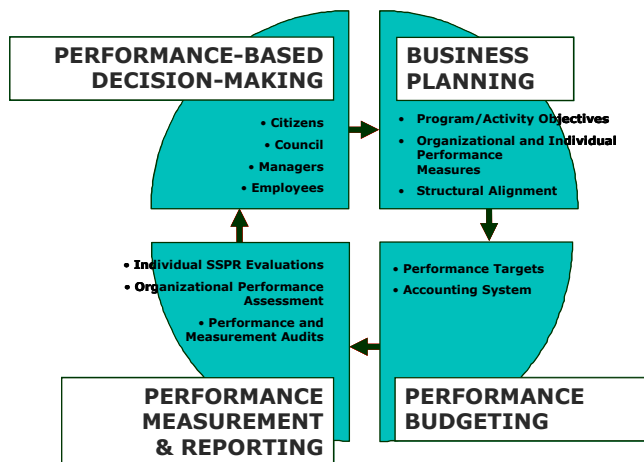
Models to aid Practice 1b. Audit performance management systems.

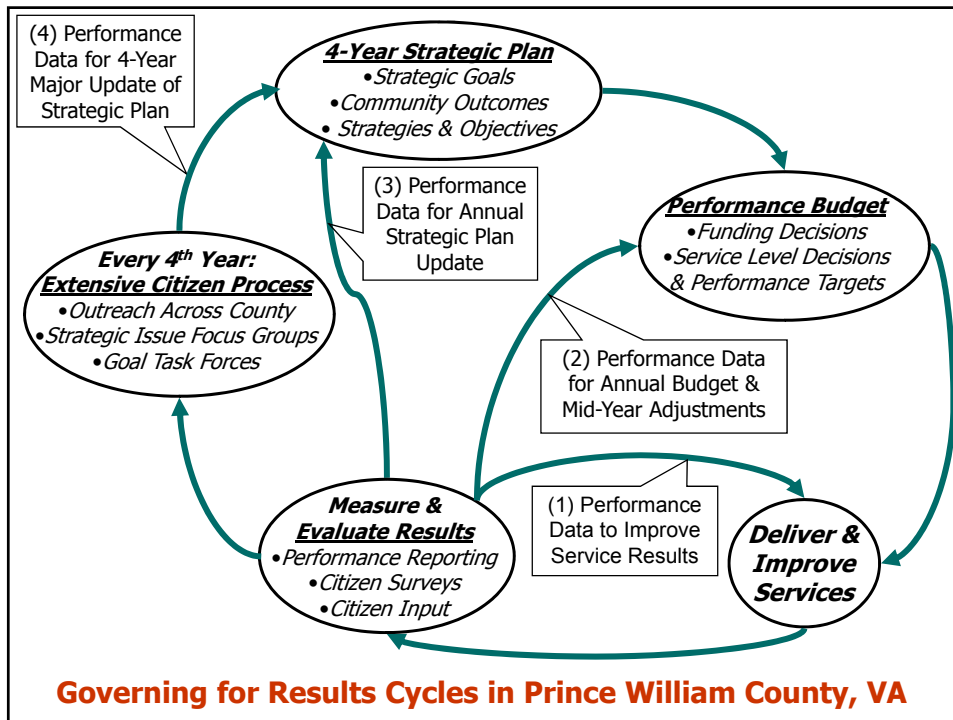
Many “Managing for Results” Models Are Available to Provide Criteria for Performance Management Systems Audits

Austin City Auditors Used the **Government Performance Accountability System** as **Criteria** for Citywide Audits in 1998 and 2002.



Managing for Results Framework: City of Austin





Deeper Levels Public Organizations Can Take Performance Management Systems

... and consequently, more for auditors to assess as PM systems evolve, e.g.:

- Move from “performance management” to “strategy management” (e.g., broader use of cause-effect approaches such as balanced scorecards)
- Move from organizational management to organizational learning.

Views from Different Parts of the System



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23

Exercise 1

Describe one program from an agency you audit that is important, proven, and being managed with a performance management system or some elements of a performance management system.

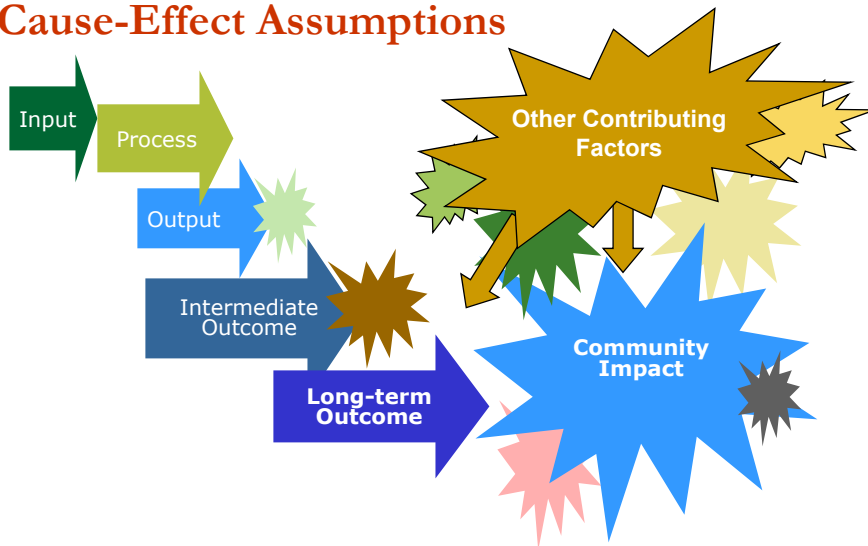
Describe one program from an agency you audit which lacks a performance management system and explain why.

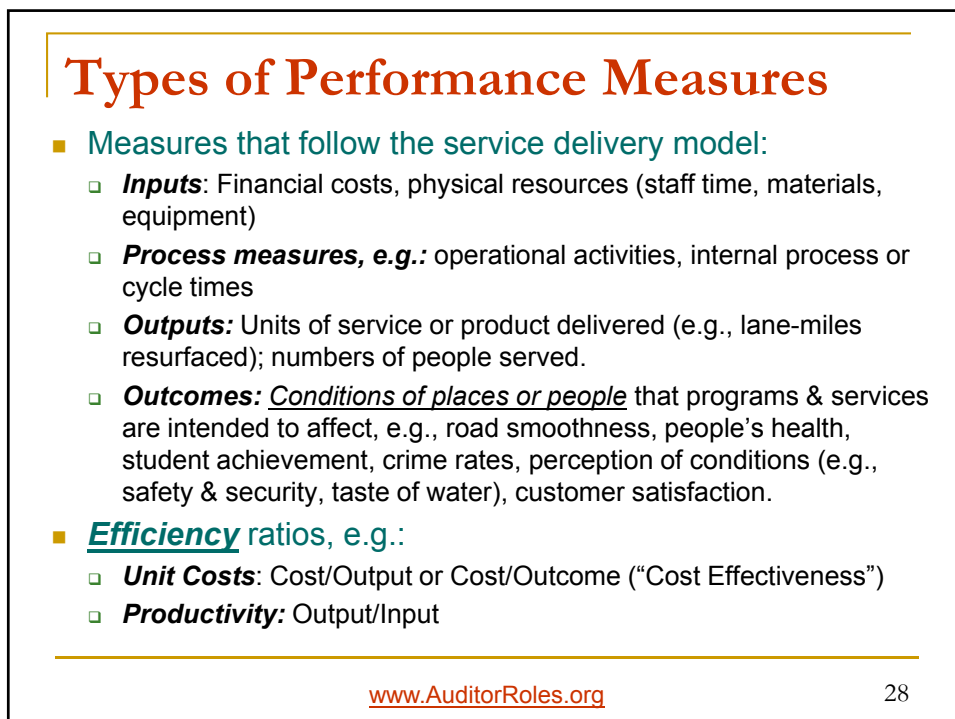
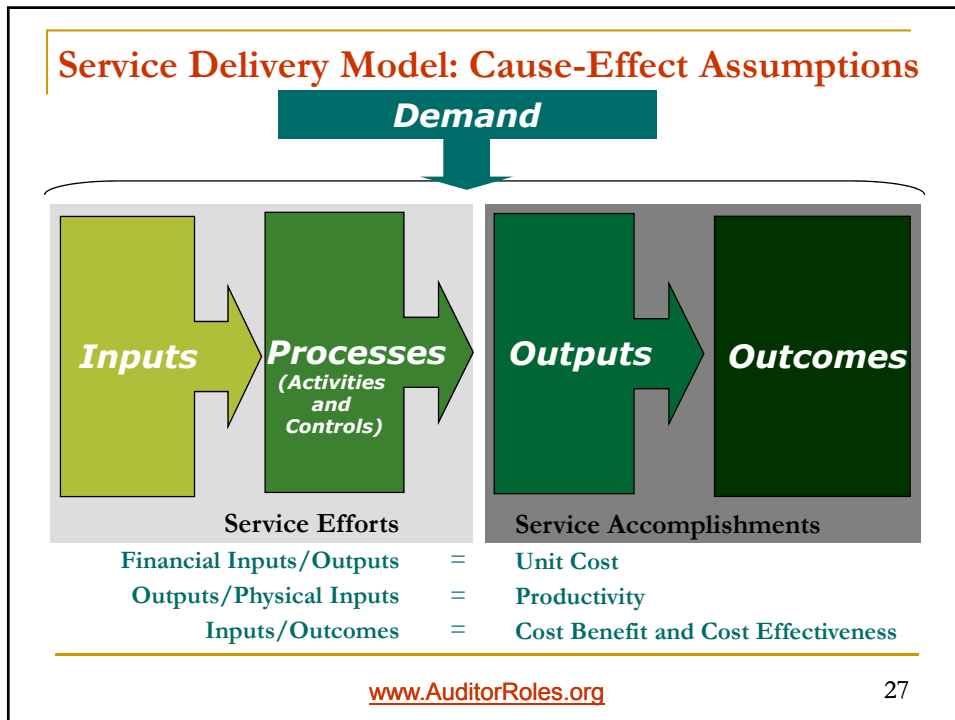
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24

Primer on Performance Measurement of Government Programs & Services

From Service Delivery to Impact: Cause-Effect Assumptions





Defining Expectations: Using Strategic or Long Term Goals and Shorter-term (Usually Annual) Performance Objectives

- Provide direction for program activities
- Managers held accountable for meeting goals and objectives
- Outcome goals & objectives where possible
- Output, efficiency, or quality goals & objectives where needed

Performance Goals & Objectives

Good performance goals & objectives are:

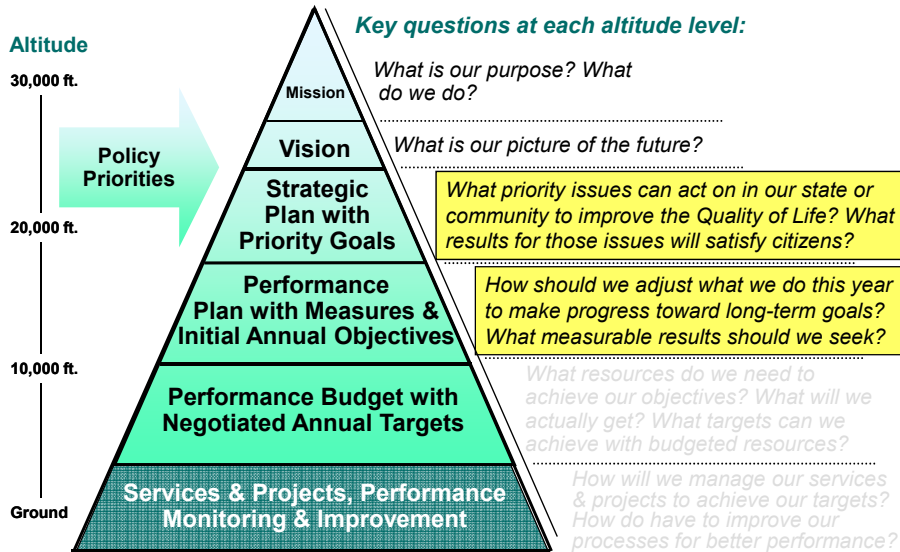
- Clear
- Specific
- Measurable
- Practical & Cost/Beneficial
- Attainable within a specific time frame
- Related to the mission

Auditing Performance Planning

Organizational Performance Plans

- Strategic or Long Term — 2 or More Years
 - Washington, DC: 2 Years
 - Prince William County, VA: 4 to 5 Years
 - Sunnyvale, CA: 20 years (General & Financial)
- Annual/Business — Mid Range — Usually 1 Year, *can be 2 years or more, especially in jurisdictions with multi-year budgets (e.g., Charlotte, NC; Sunnyvale).*
 - If longer than one year, often has annual targets.
- Operational — Short Range — Up to 1 Year
 - Provides the basis for monitoring performance during the year (e.g., quarterly, monthly, more frequent)

Views from Different Parts of the System



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33

How do we know if an organization's long-term plan is strategic?

- A Strategic Plan is “Strategic” if it:
 - Clearly focuses on a vision of the future
 - Emphasizes changes needed to achieve the vision
 - Focuses on a limited number of *strategic results*
 - Does not include *everything* an organization does, or at least puts much less emphasis on goals or programs not targeted for significant change.
- An auditor may not always find it useful to criticize a strategic plan for “not being strategic” but needs to recognize whether it is.

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34

Roles & Perspectives on Strategy

Manager: Responsible for developing & implementing a strategy to achieve a goal or objective, monitoring implementation & effectiveness of the strategy, and making mid-course corrections as needed to stay on target.

Auditor doing a program performance audit: May determine how well a strategy has worked or is working in terms of its impact on organizational performance levels.

Auditor doing a PM Systems Audit: May determine:

- If reasonable, coherent strategies have been articulated
- If performance measures relate to the strategy
- If decision makers review performance data to determine how well the strategy is being implemented & if it works
- If decisions & actions reflect such reviews.

Plans for Achieving Goals

"How" Goals Will Be Achieved (Strategies or Processes)

- Department /Agency Wide Strategic or Long-term Planning
- Department/Agency Wide Annual Planning
- Program Level Planning

Annual Plan Performance Expectations Components

- Mission
- Vision
- Goals
- Objectives
- Performance Targets

Assessing Basic System Planning Practices: When assessing annual and program plans, auditors should determine if management has:

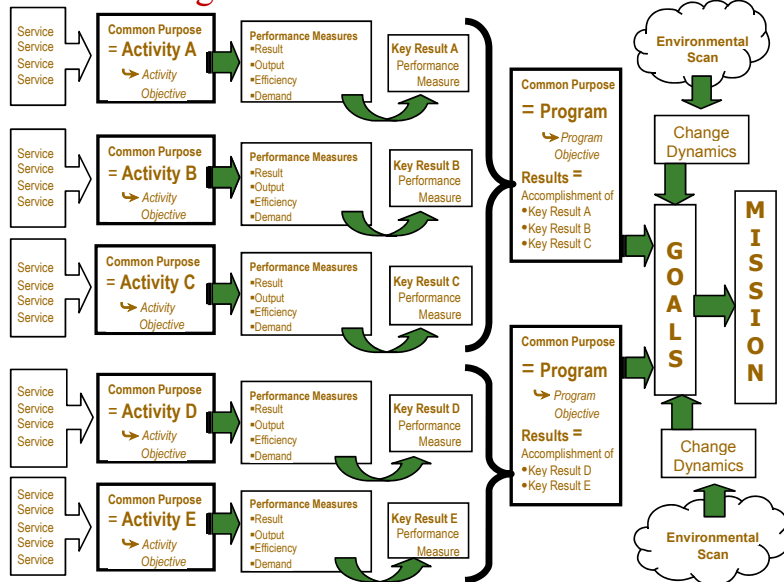
- Determined what outputs could be produced or delivered to result in the desired outcomes.
- Determined appropriate processes to produce the identified outputs.
- Determined level and quality of resources (inputs) required to support the processes.
- Determined how to obtain, through performance budgeting, the necessary resources.

If the System is More Advanced : Auditors should also determine if management has:

- Linked strategies and programs to specific performance goals and described how they will contribute to the achievement of those goals.
- Described strategies to leverage or mitigate the effects of external factors on the accomplishment of performance goals.
- Included strategies to resolve mission-critical management problems.
- Incorporated strategies to ensure that mission-critical processes and information systems function properly and are secure.

Source: GAO report, "Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decision makers" (GGD/AIMD-99-69)

Overview of Alignment of Service Performance Plans



Sources of Criteria for Developing Performance Expectations

- Historical Trends/Baselines
- Program Requirements/Intent
- Customer Expectations/Demands
- Industry or Sector Standards
- Benchmarking Within the Organization
- Benchmarking Outside the Organization

*Auditors should also determine if performance plans contain **RELEVANT** and **RELIABLE** performance measures.*

- Relevance — Is it the “right” measure?
- Reliability — Are the data accurate?

Assessing the Relevance of Performance Measures: Sample Criteria

Measures should be:

Pertinent	Linked to mission goals, objectives = Aligned Useful for decisions Responsive to change
Inclusive	Includes essential aspects of performance Meets broad needs of users
Timely	Available when needed Provided when required
Understandable	Clear, communicated well Explainable, can be interpreted
Comparable	Frames of reference for assessing performance, e.g., vs. earlier time periods, internal targets, external standards, other internal units, other entities

Assessing the Reliability of Performance Measures: Sample Criteria

Measures should be:

Accurate	Neither overstated nor understated Computed correctly
Impartial/Fair	Neutral and unbiased Represented objectively Appropriately precise
Correctly Defined	Corresponds to the phenomena being reported Complies with measure definition
Consistent	Consistent with previous periods Controlled by adequate systems

Source: Previous AICPA Attestation Standards

Exercise 2: Achieving a Balance Between Relevance and Consistency

- 1. Why must we allow measures to change?***
- 2. Why must we insist that measures stay the same?***

Performance Measure Change Controls

- Frequency
- Review and Approval
- ***The auditor's role:***
 - Ensuring that good “change controls” are in place.
 - Testing that change controls are used properly.

In summary, auditors should determine if the Performance Planning Sub-system:

- Organizes programs into inputs, processes, outputs, and outcomes
- Establishes performance expectations and measures
- Aligns performance goals, objectives, and measures and contains relevant and reliable measures
- Aligns strategic, annual, and operational performance plans which closely link to the performance budget

Other Sources for Developing Audit Criteria for Performance Planning

- Any laws or resolutions of the governing body on performance management or performance planning.
- Any instructions or guidelines issued by entity management or policy officials on how agencies should prepare or use performance plans.
- Audit criteria of other government audit offices, e.g.:
 - *Ministry Business Planning Audit Criteria* of the Alberta Auditor General (see handout and www.AuditorRoles.org)
 - *Performance Information Audit Criteria* of the Alberta Auditor General (go to www.AuditorRoles.org & select "Auditor Toolkit/Tools for Role 1" to download.)

Exercise 3

Think about and list survey audit steps:

- To determine if your organization's existing performance planning sub-system meets fundamental requirements based on good practices criteria.
 - See *Worksheet One*

Auditing Performance Budgeting

Performance Budgeting

- Long-sought “ideal” of budgeting experts:
 - **Performance-driven budgeting.**
- Best-case reality:
 - **Performance-informed budgeting.**

Example of “Performance-Driven” vs. “Performance Informed” Budgeting

- **Performance-driven Decision:**
 - *Only Use Quantitative Information:* Close that Recreation Center because it has low attendance.
- **Performance-informed Decision:**
 - *Add Qualitative Information from Residents:* That Recreation Center keeps the toughest kids off the streets. We feel safer since it opened.
 - *Possible Decision:* Keep it open, but insist on higher attendance targets and encourage the department & **residents** to do outreach.

Relating Costs & Performance in Performance Budgeting

- *Preferred:* Provide valid unit cost or other efficiency data over time to enable projecting costs of desired outputs & outcomes. Cost projections can assume:
 - Historical unit costs (inflation adjusted as needed), *or*
 - Lower unit costs based on, e.g., new technology or work processes to increase efficiency
 - Higher unit costs due to, e.g., new mandates
- *Where unit costs are unavailable or not possible:*
 - Provide multi-year trends of both costs and performance, and analyses to relate them.

Criteria for auditing performance budgets *as part of a performance management system:*

Budgets must be linked to annual performance plans (or to two-year plans for biennial budgets).

- Are there clear linkages between the plan's programs and the budget's programs?
- Are the plan's goals, objectives, and targets congruent with the budget's goals, objectives, and targets?
- Does performance information flow clearly from the plan to the budget, especially the *performance drivers* and *results* to be targeted?

General criteria for auditing a performance budgeting process:

- Is relevant, reliable performance information presented to decision makers with analyses to inform their choices?
 - *Do decision makers feel confident using the information to help make budget decisions?*
- Are *bases for comparison* provided for multiple years?
- Are *consistent* costing methods and performance definitions used for all comparisons?
- Are needed performance information & analyses presented *on time* for decision makers' deliberations?
- Is information provided not just to help set dollar amounts, but to help negotiate performance targets?
- Is explanatory information provided for proper context?

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55

Added Criteria for Auditing Performance Budgeting Against “Best Practice”:

- Do analyses relate cost and performance trends to strategic or priority goals?
- Are the best feasible cost and performance relationships provided? e.g.:
 - Are unit costs for a service are used in similar jurisdictions but only cost & performance trends provided here?
 - Are best feasible approaches used for determining unit costs (e.g., traditional cost accounting vs. “activity-based costing” or “A-B-C”)?
- Are internal benchmarking data provided for comparisons within our jurisdiction (e.g., different work units, different districts, different facilities, different populations served)?
- Are external benchmarking data used for comparisons with other jurisdictions?

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56

Exercise 4

Think about and list survey audit steps:

- To determine if your organization's existing performance budgeting sub-system meets fundamental requirements based on good practices criteria.
 - See *Worksheet One*

Auditing Performance Monitoring and Reporting

Internal Monitoring and Reporting

Who are the internal decision makers?

- Managers
- Employees, contractors, and grantees
- Support departments including budget, audit, purchasing, and HR

What are key elements of “best practice” for internal monitoring and reporting?

- Level/Users
- Use
- Frequency

External Monitoring and Reporting

Examples of external performance monitoring and reporting

- Societal/Community
- Accountability/Oversight
- Customers/Stakeholders

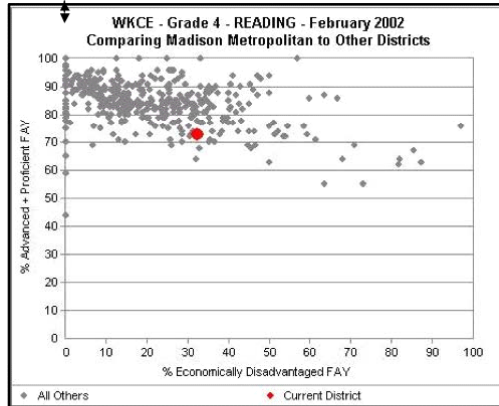
Example: Wisconsin Report on Education

This chart shows a distribution of the school districts in the state, relating:

- The outcome measure: *“Percent of students in the district scoring at the advanced or proficient level”* with

- A factor affecting results: *“Percent of economically disadvantaged in the district’s student population.”*

And it compares one district with the whole distribution.



(Source: State of Wisconsin, Department of Public Instruction. *Wisconsin School Performance Report, 2002*. Electronic version accessed December 2002 from www.dpi.state.wi.us/sis)

Example: Program: Water Meter Reading

Type of Measure	Measure		Performance			
			1 QTR	2 QTR	3 QTR	YTD
Workload	Number of Meters Read*	Actual	60.0	60.1	60.3	180.4
		Target	60.0	60.1	60.3	180.4
	Number of FTE days	Actual	182	184	192	558
		Target	180	180	180	540
Efficiency	Number of meters read per FTE day*	Actual	.329	.326	.314	.323
		Target	.333	.334	.335	.334
Effectiveness	Number of rereads* (3%) <i>Target based on 3% error rate</i>	Actual	2.10	2.25	2.30	6.65
		Target	1.80	1.80	1.81	5.41
	Percent read on schedule	Actual	100	98	94	97.3
		Target	100	100	100	100
Costs	\$1,000s*	Actual	40.1	41.0	42.6	123.7
		Target	40.2	40.1	40.2	120.5
Personnel	Number of FTEs	Actual	3	3	3	3
		Target	3	3	3	3

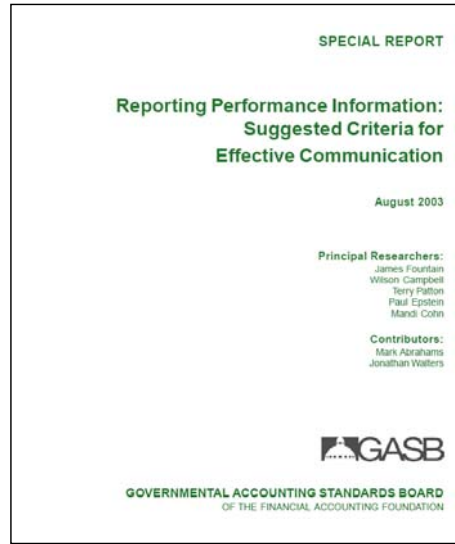
* Figures calculated in thousands

Performance Reporting Criteria: *United States*

Suggested Criteria for U.S. State Local Government Performance Reporting

**GASB Special Report,
August 2003**

Available at:
www.seagov.org



http://www.seagov.org/sea_gasb_project/suggested_criteria_report.pdf

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63

Useful Criteria for Auditing Public Performance Reporting: GASB Performance Reporting Criteria

The External Report on Performance Information

1. Purpose and scope
2. Statement of major goals and objectives
3. *Involvement in establishing goals and objectives (not in PSAB)*
4. *Multiple levels of reporting (not in PSAB)*
5. Analysis of results and challenges
6. Focus on key measures
7. Reliable information

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64

Useful Criteria for Auditing Public Performance Reporting: GASB Performance Reporting Criteria (continued)

The Performance Information to Report

8. Relevant measures of results
9. Resources used and efficiency
10. *Citizen and customer perceptions (not in PSAB)*
11. Comparisons for assessing performance
12. Factors affecting results
13. *Aggregation and disaggregation of information (not in PSAB)*
14. Consistency

Communication of the Performance Information

15. Easy to find, access, and understand
16. Regular and timely reporting

Public Sector Accounting Board's (PSAB) of Canada "Statement of Recommended Practices on Public Performance Reporting" (SORP-2, June 2006)

1. Easily accessible and identifiable as the entity's Annual Performance Report
2. Information that appears reliable and valid
3. Relevant information
4. Fair information in the report
5. Comparable and consistent www.psab-ccsp.ca/index.cfm
6. Understandable
7. Focus on few critical aspects of performance
8. *Strategic direction (not in GASB)*
9. Comparison of actual results with planned
10. Comparative information
11. Lessons learned and key factors influencing performance and results
12. *Link financial and non-financial information (Stronger than GASB)*
13. Basis for reporting disclosed

Exercise 5

List your top three criteria for an effective external performance report and compare with your colleagues.

Who do you think is the primary user of the report and why?

Performance Monitoring, Analysis, & Reporting: Questions to Help Develop Audit Criteria:

Controls, e.g.:

- Are controls in place ensuring the accuracy, completeness, consistency, relevance, and reliability of performance information?
- Are there standard data definitions and change control procedures?
- Do performance information systems follow accepted MIS standards?
- Are managers required to review their program performance reports on a regular basis, and determine actions needed? Do they do it?
- Are managers required to report results of analysis & improvement actions to senior management on a regular basis? Do they do it?
- Are there written reporting requirements or guidelines? Are they followed?

Performance Monitoring, Analysis, & Reporting:

Questions to Help Develop Audit Criteria (cont.):

Performance Management System Infrastructure, e.g.:

- Are adequate staff & other resources dedicated to the PM system?
- Is information system capacity adequate to support the PM system?
- Is adequate training available as needed in performance measurement & analysis, data collection, and management controls?

Reporting, e.g.:

- Is program performance and financial information integrated?
- Does the system produce reports useful in planning, budgeting, reporting, and decision making?
- Is reporting frequency adequate for each type of use and user?
- Does external performance reporting follow GASB's SEA reporting guidelines or PSAB's SORP-2 practices?
- Does citizen-friendly communication present a balanced picture of the organization's performance results, future plans, and budgets?

Performance Monitoring, Analysis, & Reporting:

Questions to Help Develop Audit Criteria (cont.):

Analysis, e.g.:

- Are results compared to targets and used in trending and benchmarking?
- Are targets based on realistic, but challenging expectations?
- Do managers determine why performance varies from expectations?
- Do they use appropriate analytical tools (e.g., variance analysis) in analyzing performance?
- Is the effect of actions taken to improve performance assessed?

Uses of Performance Information, e.g.:

- Are improvement actions taken based on monitoring and analysis?
- Is a systematic process used to assess performance information needs of key parties and how they actually use the data?
- Are such assessments used to improve the PM system?

Exercise 6

Think about and list survey audit steps:

- To determine if your organization's existing performance monitoring and reporting sub-system meets fundamental requirements based on good practices criteria.
 - See *Worksheet One*

Auditing Performance-Based Decision Making as Part of a Performance Management Systems Audit

Possible Objectives of Auditing Performance-based Decision Making

Determine one or more of the following:

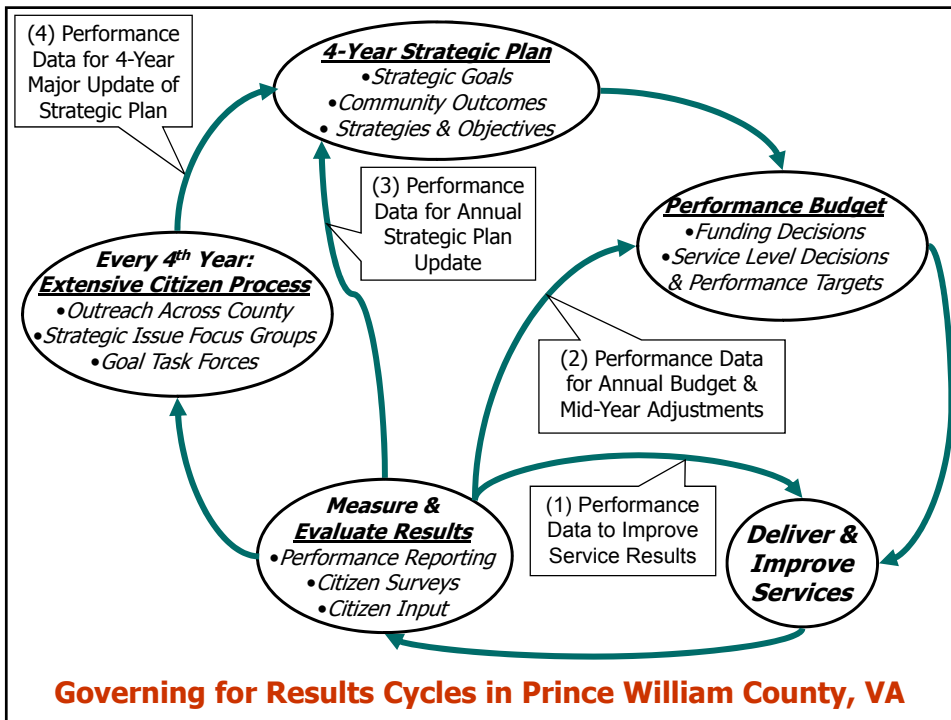
- Is performance information being used to inform various kinds of decisions?
- Do decision makers find the information useful? Are they confident using the data?
- Are decision makers knowledgeable of the limitations of the information and the risks in using it?
- Can the information be improved for decision-making purposes?
- How else can the decision process be improved?

NOT: Were the correct decisions made?

Performance-based Decision Making:

How an auditor can start: Look for:

- What decisions are made by using performance information to, for example:
 - Manage operations, adjust or improve performance on a day-to-day or month-to-month basis?
 - Design or redesign programs or service delivery processes or methods?
 - Provide incentives to improve performance?
 - Allocate resources (re-allocate or adjust within current budget; revise current budget; changes for next year)?
 - Determine policies or strategic directions?
- *The same entity can use performance data for multiple purposes.*



Possible Audit Criteria: Sample Best Practice **Management Uses of Performance Information**

To Manage and Improve program performance, e.g.:

- Use data on conditions (outcomes) to target responsive resource allocation (e.g., *focus patrols where there's more crime*)
- Revise goals, plans, targets, or resources based on analysis of performance results
- Benchmark to processes that produce best results (*internal or external*)
- Use performance data to identify programs for deeper analysis (e.g., *program evaluation, process redesign*)
- Use performance data to identify and recognize high performance programs (e.g., *shared savings, awards*)

Possible Audit Criteria (cont.): **Sample Best Practice Policy Maker Uses of Performance Information**

To Support Policy Decisions, e.g.:

- Define intended policy outcomes using performance goals
- Consider **measurable** alternative outcomes in making policy decisions
- Consider past performance, anticipated future performance, and changes in policy or strategic direction when making resource allocation decisions
- Revise measures to be more useful for new policies or strategic goals

Possible Audit Criteria (cont.): **Sample Best Practice Uses of Performance Information**

Use Information from Multiple Sources to Support Decisions:

- Dig deeper in additional sources to **identify causes** of inadequate program performance and focus improvements on causes (*program or process redesign*)
- Use stakeholder perceptions or external expertise for validation or interpretation of performance information (*e.g., surveys, focus groups, expert groups*)
- Use information on strategic direction or priority goals **together with** performance information
 - Or, info on ***strategic goals, performance, & financial forecasts*** (as in Prince William County, VA, and Sunnyvale, CA)

Strategic Performance Budget Decision Model

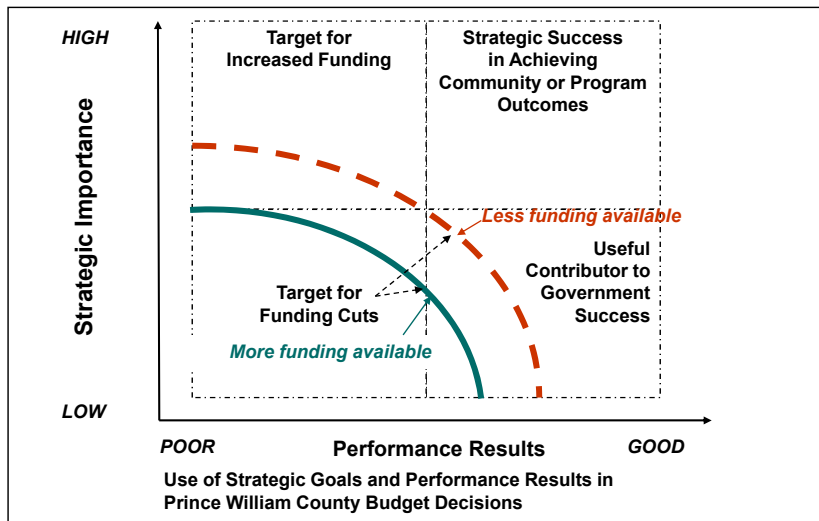


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79

Strategic Performance Budget Decision Model:

In Reality: Varies with Fiscal Environment



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80

Possible Steps to Auditing Performance-based Decision Making:

For each type of decision making:

1. Determine to what extent performance information is used.
2. Identify and survey specific decisions made using performance information.
 - If many, choose a small sample of decisions to examine.
3. Use survey findings to identify risks and recommend decision-process improvements or further tests.
4. Identify other decision processes that would benefit from using performance information.

Step 2. Identify and Survey Decision Processes that *Use Performance Information*

For decisions selected, examine *at a survey level of detail*:

- Who is involved in the decision process?
- How are the data used (e.g., what comparisons are made, what “best practices” for data use are followed, what best practice opportunities are missed)?
- Have data been used on an “ad hoc” basis, or as a systematic part of a recurring decision process?
- What information besides quantitative performance data is used in the decision process?
- What are the limitations of the data used in the decision making process?

Step 3. Use survey findings to identify risks and recommend improvements or further tests

- Determine potential risks inherent in making decisions given data limitations found in survey.
- If survey findings allow, recommend how data can be improved and risks reduced (e.g., improve relevance of measures, improve controls on data systems).
- Recommend how else decision processes can be improved (e.g., adopt best practice data uses).
- Determine good candidate performance measures for data reliability audits.

Example: Risk-based Decision to Audit Data Reliability

The new (and first) auditor of Lawrence, KS:

- After surveying the city government organization, the auditor chose the reliability of the pavement condition rating system as one of his first audits.

Reasons:

- The system had never been tested for data reliability.
- *Risk if data are not reliable:* This relatively small city allocates almost \$5 million per year of street paving and repair funds based on the data in this system.

Step 4. Identify other decision processes that would benefit from performance information

Based on a survey of decision processes that do NOT use performance information, determine:

- What good opportunities for performance-informed decision making are being missed?
e.g.:
 - Where do we have useful performance information available, but it's not being used for decisions?
 - Where are we missing useful information, but we could get it and use it for decisions if we adopted good practices used elsewhere?

Examples of How New Uses of Data Changed Operations:

- *They had the data, but were not using it:*
 - In San Jose, sewer crews only cleaned clean sewers to rack up high productivity, until management started targeting cleaning based on data of where sewer clogs occurred.
- *They did not have data, then started gathering it:*
 - In Kansas City, after the auditor convinced council and management to adopt “trained observer” ratings of park conditions as used elsewhere, management started targeting park maintenance & repair efforts to correct known problems.

Exercise 7: Risks & Benefits of Auditing Decision Making

1. If performance management is still evolving (*not fully mature*) in your jurisdiction, what are the risks of the auditor examining how data are used in decision making?
2. How can the auditor mitigate those risks and use these audits to help advance performance management?
3. Once an organization achieves a viable basic performance management system, what are further advances it can aspire to?

Exercise 8

Think about and list survey audit steps:

- To determine if your organization's existing performance based decision making sub-system meets fundamental requirements based on good practices criteria.
 - See *Worksheet One*

Conclusion

Auditors can do more to encourage establishing a performance management system or to improve the one the entity already has.