AUDITOR ROLES IN GOVERNMENT PERFORMANCE MEASUREMENT: A GUIDE TO EXEMPLARY PRACTICES AT THE LOCAL, STATE, AND PROVINCIAL LEVELS

By
Paul D. Epstein, Stuart S. Grifel, CIA, CGAP,
and Stephen L. Morgan, CIA, CGAP, CGFM, CFE
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The Professional Practices Framework for Internal Auditing (PPF) was designed by The IIA Board of Directors’ Guidance Task Force to appropriately organize the full range of existing and developing practice guidance for the profession. Based on the definition of internal auditing, the PPF comprises Ethics and Standards, Practice Advisories, and Development and Practice Aids, and paves the way to world-class internal auditing.

This guidance fits into the Framework under the heading Development and Practice Aids.

The mission of The IIA Research Foundation (IIARF) is to be the global leader in sponsoring, disseminating, and promoting research and knowledge resources to enhance the development and effectiveness of the internal auditing profession.

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ABOUT THE AUTHORS

Paul D. Epstein is principal of Epstein and Fass Associates, a New York City-based consulting firm. He has over 25 years’ experience in public performance measurement, quality and productivity improvement, customer service improvement, and sharing innovative practices. Mr. Epstein has helped entire local governments develop performance measures and improvement projects, and he has assisted local, state, federal, United Nations, and nonprofit agencies that provide a wide range of services. His many improvement methodologies include the balanced scorecard to link performance measures with strategy. He has also created audit competency models and systems to assess auditor competencies, and designed and delivered training courses to auditors involving performance measurement. In March 2003 he received the Harry Hatry Distinguished Performance Measurement Practice Award from the American Society for Public Administration (ASPA) for his lifetime achievements. The work of an ASPA committee he chaired was cited by Congress in its report on the 1993 Government Performance and Results Act. That year he was tapped by Vice President Gore’s National Performance Review to help improve performance management of the federal government. Since the late 1990s, Mr. Epstein has been on the performance measurement research team of the Governmental Accounting Standards Board (GASB). He was a principal researcher and co-author of the GASB’s Special Report: Reporting Performance Information: Suggested Criteria for Effective Communication (2003); Research Report on the GASB Citizen Discussion Groups on Performance Reporting (2002); and five case studies of state and local government uses of performance measurement. Mr. Epstein’s many other publications include the book Using Performance Measurement in Local Government (1984 and 1988). He has led research teams on citizen engagement and performance measurement, culminating in the forthcoming book Results That Matter, of which Mr. Epstein is lead author. Mr. Epstein has an engineering degree from MIT, and has taught graduate public management courses at NYU, the University of Hartford, and Baruch College.

Stuart S. Grifel, CIA, CGAP, is a corporate internal auditor for the City of Austin, Texas, where one of his key responsibilities is certifying the reliability of departments’ performance measures. Mr. Grifel has over 20 years’ experience in government performance measurement, operations review, performance auditing, and productivity improvement. He was previously an audit supervisor in the Austin Office of the City Auditor, where he represented the City Auditor’s Office on a Corporate Business Planning Team with city management representatives, and he provided training to department managers in how to interpret performance reports and use performance data for strategic planning, budgeting, and management decision making. He also conducted performance audits and assessed program performance measures and systems for tracking, reporting, and using measurement data in planning and decision making. Mr. Grifel has assisted many jurisdictions in
performance measurement and improvement while at KPMG Peat Marwick, the National Center for Public Productivity at Rutgers University, the Innovations Group, the City of Tampa, Florida, and Polk County, Florida. Mr. Grifel has also trained numerous public managers in performance measurement and productivity improvement. He has been a member of Sloan Foundation-funded research teams on citizens and performance measurement and on auditors and performance measurement. His publications include his article “Performance Measurement and Budgetary Decision Making,” in Public Productivity and Management Review (1994) and his co-authored articles “Evolving Roles for Auditors in Government Performance Measurement,” in Local Government Auditing Quarterly (2000) and The Journal of Public Financial Management (2002), and “21st Century Community Focus: Better Results by Linking Citizens, Government and Performance Measurement,” in Public Management (1999). He has served as President of The IIA Austin Chapter, and is currently a member of The IIA International Membership Committee. Mr. Grifel has an MBA from Suffolk University in Boston, and an MPA from Baruch College, City University of New York.

Stephen L. Morgan, CIA, CGFM, CGAP, CFE, is the city auditor of Austin, Texas, directing a full scope audit office that conducts performance audits, fraud investigations, and consulting engagements. Under Mr. Morgan’s leadership as deputy city auditor, the City Auditor’s Office conducted three citywide audits of performance measures, measurement systems, and the use of performance measures by department management. The first such audit followed a unanimous City Council resolution, drafted by Mr. Morgan, on performance measurement expectations of all departments. The later audits led to the city making a major commitment to improve performance measurement and integrate it with strategic planning and budgeting. Before joining the City Auditor’s Office, Mr. Morgan was an evaluator in the U.S. General Accounting Office’s National Productivity Group, responsible for managing audits of federal productivity programs. For many years he has also been an instructor, designing and delivering courses on performance measurement, management, and auditing. His IIA offices have included president and governor, Austin Chapter, chair of the International Government Relations Committee, and currently North American director. He is a member of the executive committee of the Southwest Intergovernmental Audit Forum. In January 2001 Mr. Morgan was appointed by the Comptroller General of the United States to the Advisory Council on Government Auditing Standards. He recently co-authored the textbook Performance Auditing: A Measurement Approach. Also, in March 2002, Mr. Morgan became the fourth annual recipient of the Harry Hatry Distinguished Performance Measurement Practice Award from the American Society of Public Administration honoring his lifetime of contributions to public service. Mr. Morgan holds a bachelor of arts degree in government (with honors) from the University of Texas at Austin; he was elected to Phi Beta Kappa. He also holds an MPA from the Lyndon B. Johnson School of Public Affairs of the University of Texas.
RESOURCES AUDITORS CAN FIND HERE

This Guide provides a wealth of resources for government auditors interested in helping the entities they serve improve performance measurement, performance management, and accountability for results. The Guide provides an experience-derived framework of roles and practices auditors can perform to add value to performance measurement and management in their entities, and descriptions of 67 examples of how auditors from across North America have been doing just that. Many of the examples include samples from auditors’ principles, criteria, or audit steps followed in performing these practices, or descriptions of major products provided by some auditors, such as citizen surveys and public performance reports. The examples were drawn from 25 local, state, and provincial government audit organizations in the United States and Canada. Ways to learn more about these practices are provided, including auditors’ Web site addresses and related documents available online, and contact information on all featured audit organizations. Broader professional observations are also included to provide perspective, including four brief case studies of the evolution of these practices over at least 10 years in four state and local audit offices, to help leaders of audit organizations envision how they can develop a range of roles and practices over time to add greater value as their entities’ performance management and accountability practices evolve.
BACKGROUND

This Institute of Internal Auditors Research Foundation (IIARF) project, funded by the Alfred P. Sloan Foundation, had its genesis in two earlier projects conducted under Sloan Foundation grants to the Citizens League (based in Minnesota), which led to two articles by Stuart Grifel, Stephen Morgan, and Paul Epstein, both titled “Evolving Roles for Auditors in Government Performance Measurement,” published by the National Association of Local Government Auditors (NALGA) and by the Association of Government Accountants (AGA). In those articles, the authors presented eight auditor roles in government performance measurement, and examples of most of the roles from United States state and local governments. The articles stimulated interest by the IIARF to join with the authors, working under Epstein and Fass Associates of New York, to conduct the current research project to identify and publish a wider range of exemplary practices of auditor roles in state and local government performance measurement.

The eight roles in the NALGA and AGA articles were the starting point for this project, and formed the basis for an online survey of audit professionals (see Research Methodology in Part III). A qualitative analysis of survey results and follow-up research, including reviews by an expert advisory committee, then took this project beyond the roles in the articles, leading the researchers to develop a more complex framework of five roles and 16 practices for auditors related to performance measurement, and to identify 67 examples of those practices (in Part II of this Guide) from local, state, and provincial governments in the United States and Canada. The research also led to a series of observations (in Part I) of the state of the practice and potential future practice of auditors with respect to government performance measurement.

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ACKNOWLEDGMENTS

We express our gratitude to all the organizations and individuals who assisted the project that led to this Guide, many of whom are named here, starting with The Institute of Internal Auditors Research Foundation (IIARF), who sponsored this project, and the Alfred P. Sloan Foundation, who funded the project. We are particularly grateful to Basil Pflumm, former executive director of The IIARF, for having the vision to see how The IIA could add value to the profession on this topic, to his successor, Richard Chambers, and to Susan Lione, Jodi Swauger, and Charity Golden of The IIA for shepherding the project through the review and publishing processes.

The Project Advisory Committee provided valuable guidance that helped us refine auditor roles and practices, select and improve exemplary practice descriptions, make observations on the state of the practice, and shape the information presented to make this Guide a useful resource for government audit professionals. The Advisory Committee Members were:

- Alan D. Ash, City Auditor, City of Gainesville, Florida
- Verma Elliot, Measure Certification Manager, Texas State Auditor’s Office
- Patrick Goldsmith, Performance Audit Manager, Louisiana Legislative Auditor’s Office
- Tom O’Connor, Consultant/Instructor, formerly with U.S. GAO and U.S. AID IG
- Ronell Raaum, Curriculum Development Manager, Government Audit Training Institute
- Ed Soniat, Consultant/Instructor, formerly with U.S. GAO
- Jim Stewart, Auditor General, Washington Metropolitan Area Transit Authority
- Gary VanLandingham, Interim Director, OPPAGA, State of Florida
- Colleen G. Waring, Deputy City Auditor, City of Austin, Texas
- Leslie Ward, City Auditor, City of Atlanta, Georgia

The following organizations and groups helped us distribute invitations to the project online survey that solicited information on audit organizations’ current roles and practices:

- American Institute of Certified Public Accountants
- American Society for Public Administration, Center for Accountability and Performance
- Association of Airport Auditors
- Association of Budgeting and Financial Management
- Association of College and University Auditors
- Association of Government Accountants
- Association of State Inspector Generals
- Education Internal Auditors in State Government

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We also thank Don Sparks, assistant vice president, IIA Online Services, who turned our survey into an online product and regularly provided useful results, and two research assistants to Epstein and Fass Associates, Zareen Mahmud and Veronica Neville, whose efforts kept the project moving at critical times. Finally, we thank the many audit professionals who responded to our survey, especially those who took the time to answer our detailed follow-up questions on the phone and in writing, and to provide us with documentation on their practices. Many of their organizations are represented with exemplary practices in this Guide.

— Paul D. Epstein, Stuart S. Grifel, Stephen L. Morgan

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HOW TO USE THIS GUIDE

This Guide is organized in three main parts:

- Part I (two chapters): Roles, Practices, and Observations
- Part II (five chapters): Examples of Practices
- Part III (two chapters plus references): Audit Office Profiles, Research Methods, References

This Guide was prepared especially for government audit practitioners who are interested in advancing how their organizations contribute to improving performance measurement and performance management in the entities they serve. We also intended the Guide to be useful to professionals interested in advancing the state of the practice of the audit profession with respect to performance measurement, and to researchers interested in studying these issues further.

Whatever your interest, we suggest you review at least part of all three parts of the Guide. First of all, we suggest that all readers examine at least Chapter I-1, which, in a few pages, lays out the framework of five auditor roles and 14 practices related to performance measurement that emerged from this research, and forms the basis for all that follows.

Audit practitioners who are mainly interested in finding exemplary practices they might adapt for use in their own entities will be most interested in Part II, which has descriptions of 67 exemplary practices organized in five chapters — one for each role defined in Chapter I-1 — and many Web page addresses for more documentation. They may also be interested in consulting the audit organization profiles in Chapter III-1 for contextual information and contacts for audit offices that perform practices they found particularly interesting in Part II. Finally, we suggest that audit practitioners interested in improving their own organization’s practices read at least the two sections near the end of the “Observations” in Chapter I-2. The section Auditors Add More Value by Changing Practices as Entities’ Systems Evolve especially complements the list of examples by practice in Part II by showing the chronological evolution of practices of four audit offices over at least 10 years, showing different ways they have changed roles and practices to help advance performance management in their jurisdictions. The final section of the “Observations,” Challenges Faced by Auditors in Performing Roles Related to Performance Measurement, can help the practitioner begin to think about key issues that can arise in playing these roles, including auditor independence issues and relationships with management.
Audit professionals who are especially interested in advancing the broader state of the practice of the audit profession — such as officers or committee chairs of audit professional associations — should examine all of Part I of this Guide, as should researchers. We hope Chapter I-2, Observations on the State of the Practice and Potential Future Practice, will provide insights and guidance for advancing the profession.

**A Word on Web Page Addresses:** As organizations redesign their Web sites, Web addresses “deeper” in a Web site, such as those that link directly to documents, often change. So we used almost exclusively home pages of auditors’ offices or other relevant organizations, which are less likely to change, rather than direct links to documents. As of early March 2004, all Web addresses listed in the Guide manuscript worked. At that time, we also found that all documents noted as available on the Web were reasonably easy to navigate to, or search for, from home pages. However, if you find a home page address no longer works, or a document of interest cannot be found through relatively simple navigation or search, we suggest you use the contact information on the audit organization in question in Chapter III-1 to call for assistance.
PART I
ROLES, PRACTICES, 
AND OBSERVATIONS
CHAPTER I-1
FRAMEWORK OF AUDITOR
ROLES AND PRACTICES
WITH RESPECT TO
PERFORMANCE MEASUREMENT

The following framework of five roles and 14 practices was developed based on responses to an online survey of auditors (see Methodology in Chapter III-2), expert judgment of the researchers and project advisory committee, and refinements based on the final exemplary practices in the Guide. So these roles and practices not only form a logical framework, they are also experienced-based: they work in practice. While we tried to structure careful distinctions into the roles and practices by how they are worded and by the one-paragraph descriptions for each in the pages that follow, they are not intended to be 100 percent mutually exclusive.

This should be considered a “working set” of roles and practices, subject to change as future research follows the evolution of auditors’ performance measurement-related efforts over time. However, we hope this framework provides a useful starting point for government auditors to consider the many ways they can add value to performance management and accountability of the entities they audit by adapting, for their own use, a variety of roles and practices related to performance measurement.

Table 1 and Figure 1 follow the descriptions of roles and practices below, providing a simpler list of practices and a matrix to allow the reader to see, at a glance, the names of all local, state, and provincial audit organizations featured in this Guide and the “exemplary practices” for which they have examples described in Part II of the Guide.

Role 1: Auditing or assessing performance and performance management systems

Practice 1a. Measure or assess performance during an audit or other study based on authoritative auditing standards.

Description: The auditor may use existing performance measures to assess performance. However, when existing performance information is found inadequate during an audit, or when the auditor is examining issues not adequately covered by current measures, the auditor follows auditing standards issued by an appropriate authority to determine what performance information is needed, obtains
the required data, and issues a performance audit report that reflects performance as measured by
the auditor. Standards used may be, for example, those issued by the U.S. General Accounting
Office (GAO “Yellow Book” Government Auditing Standards), The Institute of Internal Auditors
(IIA “Red Book”), or the Canadian Institute of Chartered Accountants (CICA) Handbook.

Practice 1b. Audit or assess existing performance management systems or practices.
Description: The auditor determines whether existing systems or practices, or management
controls over systems, are adequate to provide relevant and reliable performance information.
The auditor may also determine if the information provided, or the way it is communicated, works
well to help intended users of the information (e.g., public managers, elected officials, citizens)
make decisions for accountability and achieving results. The auditor may also issue recommendations
to improve performance management systems or practices.

Role 2: Assessing the quality of performance information or performance reports
Quality refers to the relevance and reliability of performance information and to the adequacy
of performance reports with respect to meeting user needs.

Practice 2a. Test or certify performance measurement relevance, reliability, or both.
Description: In testing relevance, for example, the auditor may test whether measures are pertinent,
inclusive, timely, and understandable. In testing reliability, the auditor may test whether measures
are accurate, impartial, correctly defined, and consistent. The auditor may also certify or attest to
a level of relevance and/or reliability, or otherwise issue an opinion on relevance and/or reliability,
according to externally or internally set standards or criteria.

Practice 2b. Audit, attest to, assure, or certify external performance reports.
Description: The auditor determines whether reporting and communication of performance
information to external stakeholders (e.g., the public, non-executive elected officials) meet internally
or externally set criteria for effective communication of an entity’s performance. External criteria
may include, for example, the Governmental Accounting Standards Board’s (GASB’s) “Suggested
Criteria” for performance reporting, or “Reporting Principles” of the CCAF-FCVI (formerly the
Canadian Comprehensive Auditing Foundation). The auditor may engage in this practice in
conjunction with Practice 2a by testing a sample of performance measures in a public report for
reliability or relevance, to test the quality of information reported as one aspect of effective
communication. The auditor may also issue a report, certification, or opinion on the quality of
information or effectiveness of reporting and communication.
Practice 2c. Support external review processes to assess and improve performance information or reporting, or the performance basis for planning, budgeting, or other decision-making.

Description: The auditor supports external reviews to assess and improve public performance reporting, or any other parts of a performance management process. Such reviews might be conducted, for example, by an external auditor or consultant, or by a professional association such as the AGA for the new Certificate of Excellence in Performance Reporting it is establishing based on the GASB’s “Suggested Criteria” for performance reporting.

Role 3: Developing performance measures or measuring performance, outside the traditional audit process

While these activities are not typically thought of as part of “traditional” audit processes, some audit organizations consider these efforts to be audit projects.

Practice 3a. Provide advice on determining performance measures or performance expectations.

Description: Working outside the traditional audit process, the auditor advises management, elected officials, or other users of performance information concerning what measures would be relevant indicators of an organization’s performance, or what performance expectations (e.g., goals, objectives, targets) should be set. The auditor may also develop possible performance measures, with other officials deciding on the final selection of measures. Sources of advice for performance expectations can include historical trends, legislative requirements, customer expectations, industry standards, and internal or external benchmarks.

Practice 3b. Collect performance measurement data.

Description: Working outside the traditional audit process, the auditor collects data useful for assessing performance, such as inputs, outputs, outcomes, citizen perceptions, or customer satisfaction data. The auditor may also compile such data, or make such data available, manually or through automated information systems as part of a performance management system.

Role 4: Planning, designing, improving, or advocating for performance management systems and their use

Practice 4a. Encourage management to develop and implement performance management systems.

Description: The auditor advocates internally (to management) to adopt performance management systems. The auditor may encourage management to develop and implement such systems by, for example, providing information on management improvements or operational benefits that can be
achieved by using such systems, briefing or providing guidance reports to management on best practices in performance management, or providing guidance on initial system planning and design.

**Practice 4b. Assist management in designing, improving, or maintaining performance management systems, or build the capacity of management to do so.**

*Description:* The auditor may advise, consult, or assist management in designing, purchasing, improving, or maintaining any or all stages of a managing for results process and the performance management systems that support them. These stages may include, for example, planning, budgeting, delivering and improving services, allocating costs, monitoring, and reporting, with all stages linked by performance information. For example, the auditor may serve on a team with management to advise or assist in designing or improving systems. The auditor may also advise or assist management on assuring adequate internal controls are integrated within performance information systems. The auditor may build capacity by training management staff, or other internal stakeholders, in knowledge or skills to develop, implement, run, or use performance management systems or system components. The auditor may build future capacity by reviewing management’s use of performance information, and recommending how to use it better. The auditor may also support internal capacity by, for example, providing analyses or interpretations of performance information for managers or other internal stakeholders.

**Role 5: External reporting, capacity building, or advocacy for the use of performance information**

*External stakeholders include, for example, non-executive elected officials, the general citizenry, interest groups, grantees and contractors (nonprofit & for profit), and the media.*

**Practice 5a. Advocate to, or assist, external stakeholders, concerning the development, implementation, or improvement of government performance management systems.**

*Description:* The auditor advocates to elected officials, citizens, or other external stakeholders for the government to adopt or improve performance management systems. Such advocacy may include, for example, making presentations, providing briefings, providing reports appropriate to the particular audience, or drafting laws, resolutions, or guidelines that would require or encourage adoption or improvement of such systems.

**Practice 5b. Produce and issue external periodic performance reports.**

*Description:* On a regular, periodic basis (e.g., annually, biennially), the auditor prepares and issues public performance reports for use by elected officials, citizens, or other external stakeholders. These reports would be reasonably comparable and consistent from period to period in how they report on the same programs and services. Such reports may follow, for example, “service efforts and accomplishments” models established by some jurisdictions, or other approaches for organizing...
and reporting performance information. In externally reporting and communicating performance information, the auditor may attempt to meet internally or externally set criteria for performance reporting, such as the GASB’s “Suggested Criteria” for communicating performance information.

**Practice 5c. Assist external stakeholders in using performance information to make decisions.**
*Description:* The auditor may assist elected officials, citizens, or other external stakeholders by providing them with “user-friendly” access to performance information. The auditor may educate external stakeholders in using performance information for decision-making and accountability, or advise them in how the information may be relevant to specific decisions. The auditor may assess service performance data, or broader indicators of public conditions such as community, regional, or statewide outcomes or “benchmarks,” and use such assessments to issue interpretations of what the information means to external stakeholders. The auditor may also conduct evaluation studies and issue reports that have policy implications on specific aspects of service performance or broader outcomes or conditions of concern to external stakeholders.

**Practice 5d. Engage citizens in determining performance goals, objectives, or measures.**
*Description:* The auditor conducts or assists processes (e.g., public forums, focus groups, representative advisory committee meetings, meetings with diverse stakeholder groups, preference surveys) to engage citizens in helping to shape or determine public goals, objectives, or performance measures.

**Practice 5e. Assess or improve citizen engagement related to performance management.**
*Description:* The auditor assesses citizen participation related to developing, reporting, and using performance information, and may also advise or assist in improving such processes. Such assessment may include, for example, the representativeness or inclusiveness of participation processes, the autonomy of such processes from control by the government, or the effectiveness of such processes in influencing the government in determining how performance will be measured, in goal or target setting, in making other decisions, or in improving services.
# Auditor Roles in Performance Assessment

## Table 1
Listing of Roles and Practices

| Role 1: Auditing or assessing performance and performance management systems |
| Practice 1a. Measure or assess performance during an audit or other study based on authoritative auditing standards. |
| Practice 1b. Audit or assess existing performance management systems or practices. |

| Role 2: Assessing the quality of performance information or performance reports |
| Practice 2a. Test or certify performance measurement relevance, reliability, or both. |
| Practice 2b. Audit, attest to, assure, or certify external performance reports. |
| Practice 2c. Support external review processes to assess and improve performance information or reporting, or the performance basis for planning, budgeting, or other decision-making. |

| Role 3: Developing performance measures or measuring performance, outside the traditional audit process |
| Practice 3a. Provide advice on determining performance measures or performance expectations. |
| Practice 3b. Collect performance measurement data. |

| Role 4: Planning, designing, improving, or advocating for performance management systems and their use |
| Practice 4a. Encourage management to develop and implement performance management systems. |
| Practice 4b. Assist management in designing, improving, or maintaining performance management systems, or build the capacity of management to do so. |

| Role 5: External reporting, capacity building, or advocacy for the use of performance information |
| Practice 5a. Advocate to, or assist, external stakeholders, concerning the development, implementation, or improvement of government performance management systems. |
| Practice 5b. Produce and issue external periodic performance reports. |
| Practice 5c. Assist external stakeholders in using performance information to make decisions. |
| Practice 5d. Engage citizens in determining performance goals, objectives, or measures. |
| Practice 5e. Assess or improve citizen engagement related to performance management. |
### Figure 1
Exemplary Practices by Audit Organization

<table>
<thead>
<tr>
<th>Audit Organizations</th>
<th>Roles and Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Role 1</td>
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<td>1a</td>
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<tr>
<td>Alberta Auditor General</td>
<td>3</td>
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<tr>
<td>Austin, TX, City Auditor</td>
<td>3</td>
</tr>
<tr>
<td>Austin, TX, Corporate Internal Audit</td>
<td>3</td>
</tr>
<tr>
<td>British Columbia Auditor General</td>
<td>3</td>
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<tr>
<td>Colorado Springs, CO, City Auditor</td>
<td>3</td>
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<tr>
<td>Florida, Office of Policy Analysis and Government Accountability</td>
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</tr>
<tr>
<td>Gwinnett County, GA, Internal Audit</td>
<td>3</td>
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<tr>
<td>Kansas City, MO, City Auditor</td>
<td>3</td>
</tr>
<tr>
<td>Louisiana Legislative Auditor</td>
<td>3</td>
</tr>
<tr>
<td>Maricopa County, AZ, Internal Audit</td>
<td>3</td>
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<tr>
<td>Metro Auditor, Portland, OR, Region</td>
<td>3</td>
</tr>
<tr>
<td>Michigan Auditor General</td>
<td>3</td>
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<tr>
<td>Milwaukee County, WI, Department of Audit</td>
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</tr>
<tr>
<td>Montgomery County, MD, Office of Legislative Oversight</td>
<td>3</td>
</tr>
<tr>
<td>Multnomah County, OR, Auditor</td>
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<tr>
<td>Nevada Legislative Auditor</td>
<td>3</td>
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<tr>
<td>Palo Alto, CA, City Auditor</td>
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<td>Phoenix, AZ, City Auditor</td>
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<td>Portland, OR, City Auditor</td>
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<tr>
<td>Prince William County, VA, Internal Audit</td>
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<tr>
<td>Quebec, Vérificateur général (Auditor General)</td>
<td>3</td>
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<tr>
<td>Saskatchewan Provincial Auditor</td>
<td>3</td>
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<td>Texas State Auditor</td>
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<td>Virginia Auditor of Public Accounts</td>
<td>3</td>
</tr>
<tr>
<td>West Palm Beach, FL, Internal Audit</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
</tr>
</tbody>
</table>

*Practices 2c and 5e are considered “potential future practices” with no definite examples found as yet. The two examples included in this Guide for Practice 5e are considered potential “precursors” of this practice. Related to Practice 2C, several auditors are serving as reviewers for the AGA’s Certificate of Excellence in Service Efforts and Accomplishments Reporting Program.*
CHAPTER I-2
OBSERVATIONS ON THE STATE OF THE PRACTICE AND POTENTIAL FUTURE PRACTICE

Auditor roles and practices with respect to government performance measurement have been steadily evolving. A professional environment of evolution and change can be an especially fruitful one for learning and growth of auditors, audit organizations, and the audit profession as a whole. The next part of the Guide, with many examples of exemplary auditor practices identified in this research project, can be a particularly useful resource to audit organizations that want to advance their practices related to performance measurement. This research also suggests broader observations that can provide insights to auditors to help them improve their own practices and advance the state of practice of the audit profession. The observations are presented here in three groupings: evolution of roles and practices in the profession, evolution of roles and practices within entities audited, and challenges faced by auditors in playing roles related to performance measurement.

Evolution of Roles and Practices in the Audit Profession

The roles and practices of auditors in government performance measurement are still evolving throughout the audit profession. As documented in this Guide, auditors are experimenting with many practices related to performance measurement — and, more broadly, performance management — in local, state, and provincial governments in the United States and Canada. Beyond this research, auditor roles in performance management have been evolving at the federal levels in the United States and Canada, and in and other countries around the world. For example, in the United States, the Government Performance and Results Act of 1993 gives the U.S. General Accounting Office a special role in evaluating progress of federal agency strategic planning and performance measurement and reporting. In Canada, since 1997, legislation creating federal agencies has required the auditor general of Canada to assess the fairness and reliability of

1For example, John Maynes and Peter Wilkins identified performance information assurance practices in Australia, Canada, New Zealand, Sweden, and the United Kingdom in “‘Believe it or Not’: The Emergence of Performance Information Auditing” in Issues in Assuring the Quality of Evaluative Information: Approaches, Practices and Implications for Public Management (Transaction Publishers, forthcoming).
the performance information in the agencies’ annual reports in relation to the objectives in their corporate plans. Since then, both of these auditing agencies have published extensively to guide legislators, auditors and evaluators, and management in assessing and improving performance management and reporting in their respective federal governments. The ongoing evolution of auditor roles and practices in performance measurement is illustrated by the many different approaches audit organizations have been using for most of the 14 defined practices in this Guide, suggesting that, for the most part, “industry standards” have yet to emerge for auditor roles and practices related to performance management.

**Emergence of Traditional and Nontraditional Auditor Roles**

Based on our research, we have defined five major performance measurement-related roles that auditors play which have emerged in government practice. The roles can be thought of as “traditional” and “nontraditional” roles for auditors, as described below. These designations relate to how far beyond historically traditional audit practice these roles take auditors, not to how advanced, important, or effective the work performed is.

**“Traditional” roles of auditors in government performance measurement are:**

1. Auditing or assessing performance and performance management systems
2. Assessing the quality of performance information or performance reports

These two roles closely resemble roles auditors have traditionally played, outside the realm of performance measurement. Role 1 includes much of what auditors do in performance or management auditing. Role 2 extends typical auditor roles of testing the relevance and reliability of data to performance information and reports.

**“Nontraditional” roles of auditors in performance measurement are:**

3. Developing performance measures or measuring performance, outside the traditional audit process

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4. Planning, designing, improving, or advocating for performance management systems and their use

5. External reporting, capacity building, or advocacy for the use of performance information

Roles 3 through 5 take auditors beyond their traditional roles and audit processes, to other avenues to help establish or improve performance management or accountability in their entity. In Roles 3 and 4, they may provide advice, training, or assistance to help management determine what to measure, and how to build, improve, or better use performance management systems. Some auditors, in Role 3, regularly measure performance outside the audit process. In both Roles 4 and 5, auditors can become advocates for strengthening performance management and accountability. In Role 4, auditors advocate to management, while in Role 5, they advocate to external stakeholders (defined here as including non-executive elected officials as well as citizens and others external to the entity). In Role 5, auditors may also take the initiative in issuing external performance reports or in helping external stakeholders use performance information. They may also interact directly with the public.

Auditors Looking to Each Other for Good Practices

The high degree of variation in practice suggests that this is a ripe period for auditors working in different jurisdictions to learn from each other, and to build on each others’ approaches to advance the practice industry-wide. For some practices, that learning has already begun. For example, a number of auditor-issued government-wide external performance reports (Practice 5b) appear to have built on the concepts in the precedent-setting *City of Portland Service Efforts and Accomplishments Report*, issued annually since their report for fiscal year 1990-91 by the city auditor of Portland, Oregon. Several other auditor’s government performance reports include features first used by Portland, such as a combination of citizen satisfaction data and agency-compiled measures of workload and results, and multi-jurisdiction data comparisons for selected performance measures. Yet no two auditor-issued performance reports are alike, as auditors have adapted performance reporting to their own jurisdictions’ needs, and sometimes added their own innovations to public reporting. Similarly, the Texas state auditor’s approach to certifying the reliability of performance measures (Practice 2a) has been adapted by several other state and local auditors for use in their entities.

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In Canada, the federal auditor general and the Canadian Council of Legislative Auditors (CCOLA) have stimulated learning among government auditors by forming, in 1997, the Performance Reporting and Auditing Group, which has been sharing practices in auditing performance information. The Office of the Auditor General of Canada has been maintaining and updating a working draft research report on the subject for the group, to keep auditors across Canada informed of current views and practices. This group has helped Canadian provincial legislative auditors take a leading role in auditing external performance reports. Four of them — from Alberta, British Columbia, Quebec, and Saskatchewan — are featured with examples of that Practice (2b) in this Guide.

**A Broad, But Not Deep, “State of the Practice” Has Room for Advancement**

While the state of the practice has advanced on many fronts, there still is room for substantial additional advancement. The advancement of the overall “state of the practice” of auditor roles in performance measurement can best be described as “broad but not deep.” The members of the research team all have long experience in government performance management, yet we were all surprised at how many different things auditors have been doing to assure performance information is relevant and reliable, and to improve their entity’s performance management and accountability systems. However, most audit organizations we researched only appear to be making major efforts related to one to three of our defined practices. If the adoption of these roles and practices by the profession were deep, we could expect to see more audit organizations using a wider range of practices. We also could expect to see more convergence toward “best” or “standard” practice than we observed. Hence, we emphasize “exemplary” rather than “best” practices in this Guide, and encourage readers to examine the different approaches to practices in Part II to determine which they may best adapt to their own entity. One possible reason that convergence toward “standard practice” may not be occurring for nontraditional auditor roles (Roles 3, 4, and 5) is that different auditors may be making different interpretations of independence standards, especially in the United States where these standards have recently been revised by the U.S. General Accounting Office. “Independence Issues” are discussed under “Challenges Faced by Auditors” later in this chapter.

**Some levels of convergence have begun to emerge relating to criteria used for certain practices.** As criteria to guide auditors’ assessments is an important part of many audit practices, convergence of criteria used by audit organizations can be an important part of the evolution of standard practice. On a broad (but not necessarily deep) level, some convergence seems to be
emerging on criteria for testing the relevance and reliability of performance information. To obtain comparative information on relevance and reliability testing approaches used by different auditors, we asked audit offices with exemplary practices for Role 2 a series of questions, most of which involved the kinds of things they checked for in testing for relevance and reliability. Their answers suggest strong convergence of relevance and reliability criteria at least at the broad level of key questions they try to answer by their testing. All these questions received positive answers from a majority of auditors responding. (See Figures 2-1 and 2-2 in Part II for full comparative results.) Relevance criteria most strongly converges on alignment of performance measures with mission, strategy, or goals. There is also strong agreement on relevance criteria concerning whether measures provide users or stakeholders with performance information they need on time, and whether measures can be used to benchmark, compare, or trend performance. Reliability criteria most strongly converges on whether measure definitions are adequate and whether data supporting the measures are accurate and complete. Several Role 2 examples include more specific criteria and testing steps used by audit organizations.

In Canada, convergence has been emerging on principles for public performance reporting, which in turn has been driving convergence on criteria for assessing external performance reports (Practice 2b). The Performance Reporting and Auditing Group of the CCOLA and the auditor general of Canada have helped bring about this convergence. Starting with a set of performance information and reporting criteria proposed by the CCOLA in 1999, discussions among auditors and sharing of practices has led to performance reporting principles first issued by the CCOLA, later revised and issued by CCAF-FCVI (formerly the Canadian Comprehensive Audit Foundation) in 2002.\(^5\) The CCAF-FCVI principles — listed in the Quebec example for Practice 2b in Part II — have been locally adapted and used as criteria by auditors in several provinces, including British Columbia and Quebec. Most recently, the Canadian Institute of Chartered Accountants began a project to move toward standards for performance reporting, which will likely build on the CCAF-FCVI principles.

In the United States, the 2003 “suggested criteria” for performance reporting published by the Governmental Accounting Standards Board\(^6\) (GASB) and a related review process being tested by the Association of Government Accountants may lead to a convergence of criteria used by auditors for assessing external performance reports (Practice 2b). The GASB criteria may also increase convergence of how some auditors report on their entity’s performance (Practice 5b).

\(^5\)Reporting Principles — Taking Public Performance Reporting to a New Level (Ottawa: CCAF-FCVI, Dec. 2002).
\(^6\)Reporting Performance Information: Suggested Criteria for Effective Communication (Norwalk, CT: Governmental Accounting Standards Board, Aug. 2003).

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Performance measurement frameworks (e.g., types of measures used) and definitions differ across entities. Different state and local governments, and their audit organizations, have adopted different performance measurement frameworks. While some have converged around the GASB service efforts and accomplishments (SEA) framework (focusing on inputs, outputs, outcomes, efficiency, and explanatory information), others have not, or have only adopted part of the SEA framework. Phoenix, for example, veered away from the GASB SEA framework after citizens, in focus groups conducted by the City Auditor Department, responded better to a framework focusing on satisfaction, cost, cycle time, and mission. As another example, some entities have adopted indicators of “demand” in their measurement framework, while others have not. Also, definitions of some types of measures differ across entities and audit organizations. For instance, some have reported per capita costs of services as “efficiency measures,” while others have not reported per capita costs, or have reported them as a form of “input” or “effort” consistent with GASB SEA concepts. For example, while Prince William County, Virginia, publicly reports per capita costs of many services compared with other jurisdictions, the reports list those indicators under “staffing and spending,” and explicitly say that “it should be noted that spending per capita is a measure of the effort the community puts into a service area; it is not an efficiency measure since it does not compare outputs with inputs.”

Auditor data collection outside the traditional audit process appears to converge on perception and satisfaction information, and on comparison data from other jurisdictions for various types of measures. One area of strong convergence concerns the kinds of performance data auditors collect when not conducting traditional audits. For auditors who regularly collect performance data outside the traditional audit process (Practice 3b), all the examples we found within their geographic jurisdictions involve obtaining data on the perceptions and satisfaction of citizens, business people, or customers of external or internal services. Audit organizations mainly collect perception and satisfaction information through surveys, and some have also used focus groups. In addition, many audit organizations that issue external performance reports (Practice 5b) regularly obtain and report comparison data from other jurisdictions for selected measures. We suggest the following reasons for this convergence pattern:

- Auditors may recognize that data collection for regular, operations-related performance measures is best left to service agencies that can be a source for much of the data and can use the data operationally, with auditors available to advise on selecting measures and to help assure relevance and reliability.

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7Concepts Statement No. 2 on Concepts Related to Service Efforts and Accomplishments Reporting (Norwalk, CT: Governmental Accounting Standards Board), p. 21.
- Auditors may assume that the public will see survey, focus group, and comparison data as more credible if obtained by an auditor, as these approaches are particularly sensitive to bias (including unintentional bias) and comparability problems, and auditors may have more reason and ability to “clean” the data as needed, and keep results as comparable and free from bias as possible.

- It is often economical to obtain satisfaction, perception, or comparison data on the services of multiple agencies through one data collection process — such as a multi-service survey — making it convenient for a single office, such as an audit office, to lead or coordinate some of these data collection processes for the entire entity.

**Audit organizations have been assessing agency or entity-wide performance management systems, but studies of the effects of those systems are rare.** Several state and local audit organizations have assessed performance management systems or practices (Practice 1b) of entire agencies or their entire entity, to identify opportunities for systemic improvement. The Austin, Texas, City Auditor’s Office, for example, has conducted entity-wide criteria-based studies of performance management systems every two to four years since 1994. For assessment criteria, the city auditor has used best practice models of performance management and accountability systems for comparison with the actual systems and practices in the Austin city government. In Austin and other jurisdictions, these auditor studies have produced recommendations on how specific agencies, or the entire entity, can improve their systems and practices.

A limitation of current practice suggested by our research is a lack of auditor studies of the effects of the use of performance measurement or performance management systems in government. One exception may be the State of Florida Office of Program Policy Analysis and Government Accountability (OPPAGA). While we have not assessed the depth of their studies, OPPAGA has reported on the effects of state agencies and the legislature using Florida’s performance-based program budgeting (PB²) system, including the performance management practices inherent in PB². For example, OPPAGA has reported effects, including accountability and efficiency gains, savings achieved, and limitations in PB²’s impact due to weaknesses of the system. As performance management advances in government, and more entities invest in systems and practices to “manage for results,” it can be useful for more auditors to study what difference these systems are making in the ways their entities are managed and governed, and in the results their entities achieve. In the future, studies that combine criteria-based assessments of systems and practices with an assessment of the effects of those practices may be a particularly useful advance of the state of the practice.

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Evolution of Auditor Roles and Practices in the Entities They Audit

The extent to which audit organizations have taken on roles and practices related to performance management varies greatly. In an online survey we conducted (see Methodology in Part III), higher percentages of auditors than we expected responded that they had attempted some practices related to many of the roles as defined in the survey. On further investigation with a sample of these auditors selected based on the pattern or details of their answers, many of their efforts were onetime projects or activities, often not well documented, in which they experimented with new techniques that they had not yet adopted as a regular part of their audit office’s practice. Even some examples of practices selected for this Guide are not done on a regular basis as part of an annual or periodic program of work by the audit organization featured. However, in these cases the audit office had generally documented its work and developed the capability to do such projects from time to time on request, or based on a risk analysis used to determine its overall work program.

A Continuum of Adoption of Practices, with Three Identifiable Stages

Overall, from our follow-up to our survey, and our review of examples in the Guide, we observed that the extent of auditor adoption of performance measurement-related roles and practices covers a long continuum, characterized by the following three “stages”:

- **Experimental**: An audit organization is in the “experimental stage” if it has been engaging in performance measurement-related practices on an ad hoc basis, perhaps testing particular techniques, but not yet noticeably building a record of documented experience with such practices.

- **Regular Practice**: An audit organization in the “regular practice stage” has built significant capabilities in a limited number of performance measurement-related practices, and consistently uses any of those practices either by:
  - Formally programming at least one practice into its regular work plan on a periodic basis (e.g., issuing or assuring annual performance reports, conducting biennial assessments of performance management systems, testing the reliability of a percentage of an entity’s measures each year), or
  - Taking opportunities to design one or more practices into some of the audit office’s projects on a fairly consistent basis (e.g., most years, assessment of an agency’s or program’s performance measures will be built into at least one or two audits or studies).

- **Leadership**: An audit organization moves on to the “leadership stage” when it has progressively built the number of performance measurement-related practices it uses, has taken on at least two or three major performance measurement-related “roles” in its entity, and has used its roles and practices to encourage improved performance management and accountability of the entity.
We have made no attempt to identify which audit organizations are in which of these stages. We define these three stages as a guide for audit organizations to assess their own evolution as a user of performance measurement-related practices. A few audit organizations in this Guide will stand out as “leaders” by the number of different practices of theirs represented here, or by descriptions of how some have played their roles to help improve performance management and accountability. Others may also be in the leadership stage, but we did not learn about, or did not have room for, all the different practices they perform, or how their efforts have related to their entity’s overall performance management. We expect that almost all of the audit organizations in this Guide are at least in the “regular practice” stage.

Auditor Reporting Relationships and Performance Measurement Leadership

Auditors with all three major government auditor reporting relationships can become performance measurement leaders in their entity and the profession. The reporting relationship of a government auditor is likely to have an affect on the specific roles and practices the auditor plays, and how the audit organization carries out those practices. However, the type of audit reporting relationship should not prevent an audit organization from advancing its performance measurement-related practices, or in playing a leadership role to help advance their entity’s performance management and accountability. For example, the four audit organizations with the most examples of practices represented in this Guide represent all three major types of government auditor reporting relationships:

- The Office of the City Auditor of Portland, Oregon, reports to an independently elected official, in this case to an elected city auditor.
- The Office of the City Auditor of Kansas City, Missouri, and OPPAGA in Florida both report to elected legislative bodies — a city council and a state legislature.
- The City Auditor Department of Phoenix, Arizona, reports to executive management, in this case to an appointed city manager.

Auditors Add More Value by Changing Practices as Entities’ Systems Evolve

Auditor roles and practices can, and generally should, change as performance management evolves in an entity. For example, over time, an auditor’s testing of measurement relevance and reliability (Practice 2a) can lead to improved agency measurement practices, making higher quality performance information available. The audit organization may then find it useful to reduce its level of effort testing relevance and reliability, and to focus more on other practices, for example, helping agency managers make better use of performance data (Practice 4b) or helping legislators interpret the information and use it to inform their decision making (Practice 5c). Auditors may
also take advantage of higher quality agency data to do higher-value performance audits (Practice 1a), as they no longer have to do primary collection of basic performance data, but can build on available data by collecting complementary information for policy evaluations or other advanced studies. Through these kinds of changes in practices, auditors can find new, more effective ways to add value to their entity as their entity’s systems and practices evolve.

Four examples follow of audit organizations with at least 10 years of performance measurement-related experience, demonstrating four different ways auditor roles and practices can evolve in an entity. Information in Part II, presented by practice, provides details on different ways auditors have approached each practice. Except where noted, all practices cited below for a jurisdiction are described in examples in Part II. The chronological presentations here show how different sequences of practices evolved over time, based on different situations in each entity.

**City of Austin, Texas:** Austin city auditor performance audits (Practice 1a, *not in a Part II example*) of many city agencies in the 1980s and early 1990s had common findings of weak performance measurement practices, with measures often not relevant or nonexistent, data unreliable, and the use of data by management limited at best. So in 1992, the city auditor encouraged the City Council (Practice 5a), to whom the auditor reports, to demonstrate its interest in performance measurement to city management. That year, the City Auditor’s Office drafted a resolution that the council passed encouraging city agencies to measure and report performance.

Building on the council resolution, the city auditor began adding value in a new way by assessing the systems used by the city to measure, report, and improve performance (Practice 1b). The City Auditor’s Office conducted entity-wide audits or assessments of performance management systems in 1992, 1994, 1998, and 2002, using results both to continue advocating to council (Practice 5a) to require greater improvement, and to help management design and improve these systems (Practice 4b). One approach taken to this practice (4b) in the late 1990s involved the City Auditor’s Office serving on a committee with management to oversee agency business planning, including development of new, more relevant performance measures. In 2002, city management took more responsibility for the reliability of performance information by assigning corporate internal audit staff (reports to management) to develop and implement a certification process to test performance measurement reliability (Practice 2a).

**City of Phoenix, Arizona:** Unlike in Austin, in Phoenix, by 1990, there was no need to focus on a lack of use of performance measurement. By then, the use of measurement by city departments to manage and improve services was a well-established norm. Instead, considerable City Auditor Department effort in the 1990s focused on making performance measures more results-oriented as perceived by citizens and service customers, based on the interest of the city manager, to whom the city auditor reports. From 1990-95, the City Auditor Department worked with several departments

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each year to help managers (Practice 4b) develop more results-oriented measures. Part of that effort involved audit staff conducting citizen focus groups (Practice 5d) to learn what “results” meant to service customers. Based on the focus groups and other research, auditors advised departments on possible new performance measures (Practice 3a), and department managers selected the specific measures they would use. By 1995, performance measures reported by all departments to the city manager, and then to the City Council in the monthly City Manager Executive Report, had been revised.

In 1999, the city of Phoenix took advantage of Sloan Foundation grant-funded assistance available from the National Civic League and Urban Institute to more broadly explore public performance issues with citizens. Through a series of citizen forums (Practice 5d) run by the City Auditor Department that year, the city identified outcome measures considered of highest priority to citizens that cut across a broad range of services and issues. These became “Organizational Indicators” reported in the beginning of the City Manager Executive Report. Between 1995 and 1999, and since then, the City Auditor Department has helped departments, on request, further improve performance measures (3a), conduct customer focus groups (5d), or evaluate performance (Practice 1a). Since 1998, the City Auditor Department has also coordinated data collection (Practice 3b) by a contractor in conducting an entity-wide customer survey of internal services.

In 2001, the City Auditor Department stepped up its efforts to validate the reliability of department performance graphs (Practice 2a) reported in the City Manager Executive Report, in preparation for making the report more widely available to the public by posting it on the Internet. Over two years, audit staff validated all department graphs, where previously they had primarily validated graphs of new measures for the report. Since then, validation of about 25 percent of Executive Report indicators per year has become part of the audit department’s regular work plan. Also, the City Auditor Department has since worked with the city manager (Practice 4b) to find and implement new ways to inform more citizens about city performance, including development and distribution, in English and Spanish, of printed summary booklets of the Organizational Indicators from the annual version of the Executive Report.

City of Portland, Oregon: As in Austin, the City Auditor’s Office in Portland had years of experience in performance auditing (Practice 1a, not in a Part II example) by 1990. By about that time, the City Auditor’s Office had developed an interest in the emerging service efforts and accomplishments (SEA) reporting research by the GASB and how it might be used to improve accountability in Portland. In Portland, the city auditor is separately elected and thus has greater autonomy than in Austin or Phoenix in determining audit staff initiatives. So the City Auditor’s Office could readily translate its interest in the GASB SEA research into a project to test the feasibility of external performance reporting (Practice 5b) in Portland, which led to Portland’s first SEA Report in 1991. To make SEA reports credible and useful, the city auditor engaged city
agencies to identify measures for public reporting (Practice 3a) and to test the relevance and reliability of agency measures and data (Practice 2a) to be included in the SEA report. The City Auditor’s Office also conducted surveys of citizen satisfaction and perceptions outside the traditional audit process (Practice 3b), and reported results in the SEA report. Through the 1990s, the City Auditor’s Office continued each year to do performance audits, conduct citizen surveys, and issue SEA reports.

In 1999, a newly elected city auditor maintained those efforts under the director of audits, and also took on non-audit staff (who do not report to the director of audits) of the Portland-Multnomah Progress Board, a board of public and private community leaders co-chaired by the Portland mayor and the Multnomah County chair. For the Progress Board, this staff compiles and publicly reports data on broad categories of outcomes (e.g., education, environment, economy, health, safety), locally called “benchmarks.” To help policy makers and other external stakeholders interpret and use benchmark data (Practice 5c), since 2000 this staff has been issuing reports on in-depth studies related to some of the Progress Board’s highest priority benchmarks.

In 2002, the City Auditor’s Office built on its credibility in external reporting by investing significant staff time in assessing the city’s performance management practices overall (Practice 1b). The city auditor leveraged the value of that effort by encouraging both management (Practice 4a) and legislators (Practice 5a) to take on a major new initiative to enhance city performance management systems when it issued a special report proposing that the city implement a new managing for results process.10 In early 2003, the City Council passed a resolution supporting development of such a system, and since then the City Auditor’s Office has been assisting management (Practice 4b) in developing system requirements and agency training materials.

**State of Florida:** Florida’s Office of Program Policy Analysis and Government Accountability (OPPAGA) reports to the state legislature. Changes in OPPAGA’s roles and practices have been keyed to different stages of maturity of performance management systems and practices in the state since the 1994 passage of Florida’s Government Performance and Accountability Act. For the next few years, key OPPAGA practices included working jointly with the governor’s office to assist state agency management (Practice 4b, *not in a Part II example*) in learning the state’s new performance-based program budgeting (PB²) system and in improving their own measures and systems. As agencies started to implement PB², OPPAGA began assessing the relevance and reliability of agency performance measurement (Practice 2a) and issuing “accountability ratings” for agency programs.

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As more agencies met budget system requirements, OPPAGA’s technical assistance role diminished. As agencies learned from the accountability reviews to build controls into their systems and managers took responsibility for data quality, OPPAGA auditors’ efforts to test quality diminished. OPPAGA then began adding value in new ways by shifting staff effort to PB² progress studies that encouraged the legislature to require systemic improvements (Practice 5a) and legislatively mandated “Program Evaluation and Justification Reviews” that use performance measurement and analysis to help the legislature make budget and policy decisions (Practice 5c). Also, OPPAGA has used agency PB² performance data and more advanced measurement by its staff to conduct more in-depth, high-value performance audits and policy evaluations (Practice 1a) than it could before high-quality agency performance information was available.

Specific ways auditors change their roles and practices to increase their value-added to their entity will necessarily vary by entity. Based on the four examples above, some factors audit organizations should consider in determining how they may change their practices to add more value over time include:

- Strengths and weaknesses of the entity’s existing performance management practices and systems, and how those systems and practices evolve over time;
- Reporting relationships of the audit organization, and the interests of the officials to whom the audit organization reports;
- The strength of existing legislative mandates, and what additional legislative encouragement (e.g., resolutions) or mandates (e.g., laws) may be desirable;
- The extent to which the audit organization has willing, capable partners in management to work cooperatively to improve performance;
- Special opportunities (e.g., grant-funded assistance) that may become available.

These factors differed in the four examples above, leading to four different paths that auditors followed to continually improve performance management and accountability in their entity. Over time, each of these audit organizations changed their roles and practices in different ways, each in their own way finding new ways to add value to their entity’s performance management systems and practices.
Challenges Faced by Auditors in Performing Roles Related to Performance Measurement

Three prominent challenges are having an impact on local and state government auditors as they perform one or more of the roles identified in our study:

- Independence questions that can arise when auditors concurrently or sequentially perform Roles 1 and 2 (more related to traditional auditing) and Roles 3, 4, and 5 (more related to providing advice, assistance, or performance information to management or external stakeholders).
- Skill or capacity shortages that can occur when auditors are asked to help management overcome technical barriers, including lack of robust information technology infrastructure, cost accounting systems, and data collection processes (Roles 3 and 4).
- Conflicts with management that can arise when auditors are asked to assist citizens, elected officials, and other external stakeholders in interpreting performance information that increases transparency of government decision making and raises the level of accountability to the public (Role 5).

Independence Issues

The recently issued 2003 Government Auditing Standards (GAS, or “Yellow Book”) by the U.S. General Accounting Office brought to the forefront concerns auditors and their clients have had about auditors who provide independent, objective assurance while also playing an active role in supporting and even leading organizational improvements. Under 2003 GAS, auditors who desire to deliver non-audit (e.g., “consulting”) services must be very careful to avoid violating the independence standard either in fact or in appearance. Non-audit services must be delivered without violating the “overarching principles” in section 3.15 of the Yellow Book, and within appropriate safeguards as specified in the standards.11

In Part II, examples for seven different audit organizations are included under Role 3 concerning developing performance measures or measuring performance outside the typical audit process. Also, examples for 12 different audit organizations are included for Role 4 concerning encouraging, advising, or assisting management in some way in improving performance management systems.

Concurrently or sequentially, many of these same auditors have been asked not only to conduct performance audits or evaluations (Role 1), but also to assess the performance information being produced for external stakeholders (Role 2). Some of these audit organizations, such as those in the city of Portland, Oregon, the city of Austin, Texas, and the state of Florida, have been playing key leadership roles in their governments to stimulate the evolution of comprehensive performance management systems. These practices raise questions with respect to complying with the independence requirements promulgated in the 2003 GAS, which are far more stringent than in past revisions of GAS. Some of the practices of Role 5, especially Practice 5a (advocating to external stakeholders, including elected decision makers) and 5b (issuing external performance reports), for which 11 examples are reported in Part II, can also potentially be seen by some auditors as practices that raise independence issues.

A number of the auditors that play Roles 3, 4, or 5 commented to us concerning independence issues. Most emphasized that however much performance information they include in their own reports, research or assistance they provide, or advice they offer in developing measures or systems, management or policy officials always make the final decisions on what performance measures to adopt for management or decision making, and what systems to implement or improve. Hence, they felt that under those circumstances they could play these roles without impairing their independence. For example, the Audit Services Division of the Portland city auditor explained that collaborative efforts by its staff to assist management “are undertaken consistent with section 3.15 of the 2003 Yellow Book revision. We provide routine advice to management on issues related to the knowledge and skills of our audit staff — methods and criteria for measuring and reporting on program performance. We provide technical assistance and training, but the decision to follow our advice remains solely with management. Although we provide some tools and methodologies such as performance measurement training manuals and benchmarking information, we do not make management decisions nor do we perform management functions. These practices are clearly within the allowed routine activities of auditors that do not impair independence.”

Some auditors’ reports, even for practices we list here as not part of traditional auditor roles (Roles 3, 4, and 5), cite that those projects followed GAS. Our listing of auditors’ examples in the hierarchy of this Guide is intended to help the reader understand practices, not to determine which projects are “audits.” Clearly, it is up to each audit organization to decide that. For example, while the Kansas City, Missouri, City Auditor’s Office has exemplary practices under Roles 3 and 5, they have commented, “It is our policy not to do non-audit work. Our work is not requested by management. We report to a legislative body and make recommendations to management. We do not perform management functions or make management decisions regarding city functions. We follow Government Auditing Standards when we compile data, including verifying, analyzing, and evaluating information. We describe our methodologies in our report.” This implies, for example,
that the Kansas City auditor’s annual city services performance report is treated as an audit. Similarly, the Portland city auditor’s Audit Services Division, which also issues external performance reports it calls Service Efforts and Accomplishments (SEA) Reports, notes that, “In the future, our annual SEA report will be conducted as a performance audit consistent with the 2003 revision of the Yellow Book. As a matter of office policy, we will not perform non-audit work except for those activities considered as routine in paragraph 3.15.”

Independence is an important, and still evolving, issue with respect to auditors’ performance measurement-related roles and practices. Auditors must carefully structure how they play particular roles and practices to avoid conflicts of interest and possibly violate Government Auditing Standards relating to personal, organizational, and external independence. At a minimum, government auditors in the United States performing Roles 3, 4, or 5 in this Guide must very carefully assess each project in light of the 2003 GAS independence standards to ensure appropriate steps are taken to remain in compliance.

**Technical Skill and Capacity Shortages**

As auditors routinely use information technology tools to support their audit work, and as collecting and analyzing information is part of the “nuts and bolts” of any audit, management frequently looks to auditors to assist in overcoming technical barriers to implementing performance management. Some of the more significant barriers are:

- **Lack of a “robust” information technology architecture (hardware and software) to support a performance management system:** Some “off-the-shelf” systems are available but require customization and ongoing technical support. To quote a city of Austin audit report: “Information systems emerged as a recurring theme and a key challenge to be addressed in strengthening the city’s performance measurement and reporting capability. Management needs to strengthen information systems and adopt a more systematic management information systems standards-based approach.”

- **Internal control deficiencies in collecting and maintaining reliable data:** Information from distributed systems is inherently difficult to keep up to date and accurate. Yet without reliable data supporting performance measures, the resultant performance reports are useless to decision makers. Also, while automated information systems increase management’s capacity to calculate, track, and analyze performance measures, they do

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not assure elimination of control deficiencies or increased data reliability. To quote from a Texas audit report on state performance measures, “Reliance on automated systems did not necessarily increase the reliability of reported results.” Automated systems may also add complexity to the auditor’s task of determining the adequacy of controls.

- **Integration of cost accounting and performance measurement data to support efficiency measurement:** Many state and local governments lack cost accounting systems essential to linking program inputs and outputs. Without system support, information to derive unit cost and efficiency measures is much more difficult to routinely collect, analyze, and distribute to decision makers.

- **Benchmarking performance and relying on data from outside your organization:** To develop performance comparisons with other entities, organizations need to be able to rely on measures and supporting data being produced from external sources, yet they are not likely to be in a position to check on the internal controls to ensure reliability of data from these sources. Imposing a “certification” or assurance process across organizations is a potential approach to improving consistency and accuracy of reported performance information. The efforts of provincial auditors and the federal auditor general in Canada to develop performance report assurance as a common provincial government accountability practice may provide a start in this direction. In the United States, auditors collecting comparative information from other jurisdictions for external performance reports (Practices 3b and 5b) could try to work collaboratively with auditors in the comparator jurisdictions to establish minimum reliability standards they would all try to influence their entities to achieve.

While auditors have provided advisory assistance to help management address all four of these technical challenges, it is a challenge to audit organizations’ capacity to have sufficient skills available to fully address these issues in government entities, or to be directly involved in design and implementation. Opportunities for skill and capacity development include:

- Establishing expectations for an “integrated auditor” combining information technology, financial, and performance skill sets.
- Encouraging auditors to obtain multiple certifications, including Certified Internal Auditor, Certified Information Systems Auditor, and Certified Government Auditing Professional.
- Encouraging auditors to obtain advanced training and experience sufficient to develop specialized expertise in information technology, cost accounting, and performance measurement.

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**Potential Conflicts with Management Due to Increasing Public Accountability**

Playing Roles 2 and 5 will place increasing responsibility on auditors to either directly produce performance information or to assure third parties that performance information produced by management can be relied upon. Playing these roles will increase the potential for adversarial relationships between auditors and management. Ironically, the adversarial relationships may hinder evolution of performance measurement and management systems desired by both auditors and management.

As auditors assume a more formal role in attesting to or auditing performance information produced by management (Role 2), they can be caught between the potentially incompatible interests of different clients: management on the one hand and elected officials and citizens on the other. Managers will want auditors to assist them by providing them with assurance that the performance information they are relying on to make decisions is accurate. However, in some entities, management’s enthusiasm may wane. For example, even if auditors present findings that some performance information is not reliable in the context of the need to improve future accountability, rather than in a tone critical of past practice, some managers may still view those findings as public criticism of their efforts.

Similarly, as auditors more frequently engage in practices described in Role 5, there is the potential for conflict between auditors and management. Under Role 5, auditors may either directly report performance information, a practice usually performed by management, or they may assist stakeholders in interpreting and using performance information produced by management. In either case, elected officials or citizen advocates may use the performance information to criticize management for not meeting their needs or achieving performance expectations. Management, when faced with this challenge, may blame the auditors either for producing the performance information that is now being “used unfairly” to hold them accountable or for assisting officials or citizens who make “unreasonable demands.” Anticipating conflicts and establishing conflict mitigation strategies during the initial phases of a managing-for-results initiative may be the best approach to addressing the potential conflicts with management when auditors play Roles 2 and 5.
PART II
EXAMPLES OF PRACTICES

Part II includes descriptions of all exemplary practices selected for the Guide. Part II has five chapters that follow this introductory section — one chapter for each auditor “Role” related to performance measurement. At the front of each chapter, all examples of that role are noted in summary form as “bullets” under their respective practices, along with contextual introductions to each practice. Then, more detailed descriptions are provided for all examples. Most detailed descriptions refer to reports or other documents related to that exemplary practice and note availability of documents on an audit organization’s Web site (prior to publication of this Guide). Readers can use the summaries for a quick review of all examples in each chapter. For readers who want to use the summaries to selectively pick examples to review in detail, page numbers are provided to find detailed descriptions for examples of greatest interest.

The roles and practices are not intended to be 100 percent mutually exclusive. The researchers made “judgment calls” for some examples to determine which practices to present them under, as many real-life auditor activities inevitably have aspects of more than one practice. A reasonable observer might have classified some examples differently. The following brief chapter summaries may help highlight some distinctions across roles, practices, and examples.
Summaries of Chapters II-1 through II-5

Chapter II-1: Role 1: Auditing or assessing performance and performance management systems. This is a traditional role for many auditors who conduct studies of services, programs, systems, or practices. The three examples of Practice 1a (“Measure or assess performance during an audit or other study …”) represent different ways that auditors’ use of measurement in audits and studies relates to the status of performance measurement or performance management in their entities. Practice 1b (“Audit or assess existing performance management systems or practices”) focuses on systems and practices that support performance management, rather than measuring an entity’s actual performance levels. Three of the six examples of Practice 1b include criteria-based models to assess performance management. Two examples include studies of performance measures and their use in specific agencies. One example involves high-level reviews of information technology systems that support performance measures.

Chapter II-2: Role 2: Assessing the quality of performance information or performance reports. Role 2 is a traditional role for auditors in that it involves assessing whether information is of the quality needed for its use. For Practice 2a (“Test or certify performance measurement relevance, reliability, or both”), five examples primarily involve testing reliability of performance information, four examples involve testing both relevance and reliability of performance information, and four examples primarily involve testing relevance and reliability of both performance measures and data to be included in external performance reports. Practice 2b (“Audit, attest to, assure, or certify external performance reports”) considers the relevance and reliability of reported information plus the adequacy of reports for meeting user needs. All five examples for practice 2b involve auditors assessing one or more external performance reports, including reports by entire units of government, or by agencies or other entities of a government. There are no examples provided of Practice 2c (“Support external review processes to assess and improve performance information or reporting”), considered a “potential future practice” that auditors may some day be called upon to perform.

Chapter II-3: Role 3: Developing performance measures or measuring performance outside the traditional audit process. Role 3 is less traditional for auditors. The six examples for Practice 3a (“Provide advice on determining performance measures or performance expectations”) reflect various methods used by auditors to identify or help revise measures reported by departments in external documents. The four examples for Practice 3b (“Collect performance measurement data”) involve citizen and business surveys and focus groups.
Chapter II-4: Role 4: Planning, designing, improving, or advocating for performance management systems and their use. Auditors playing Role 4 attempt to influence internal stakeholders — usually management — to improve performance management systems and “managing for results” processes. The examples for Practice 4a (“Encourage management to develop and implement performance management systems”) include one in which the auditor encouraged management to adopt an entity-wide managing-for-results process, and three examples in which auditors have prepared and made guidance materials available to encourage management to improve performance measurement and accountability. The eight examples for Practice 4b (“Assist management in designing, improving, or maintaining performance management systems …”) include auditors helping design or implement performance management systems (including systems with links to planning or budgeting), and helping develop or improve performance measures, measurement systems, or performance reports.

Chapter II-5: Role 5: External reporting, capacity building, or advocacy for the use of performance information. Auditors playing Role 5 encourage or assist external stakeholders — including elected officials and citizens — in identifying and using performance measurement data. The five examples for Practice 5a (“Advocate to, or assist, external stakeholders concerning … improvement of government performance management systems”) include auditors making presentations to legislative bodies or other external stakeholders; alerting them to best practices from other entities; drafting laws, ordinances, or resolutions on performance measurement; or providing reports on the potential for improving performance management. The six examples for Practice 5b (“Produce and issue external periodic performance reports”) involve auditors issuing public performance reports for elected officials and citizens. Practice 5c (“Assist external stakeholders in using performance information to make decisions”) has two examples in which auditors provide user-friendly access to performance-related information, or analyses and interpretations of program performance data or broader public outcomes. In the three examples in Practice 5d (“Engage citizens in determining performance goals, objectives, or measures”), auditors have conducted focus groups with citizens and business leaders to identify performance measures or to learn what citizens want in a performance report. While Practice 5e (“Assess or improve citizen engagement related to performance management”) is considered a “potential future practice,” two examples are provided that may be precursors to future involvement by auditors in assuring citizens that engagement processes in performance measurement are representative of the community and are effective in giving stakeholders a real opportunity to influence plans and decisions.
CHAPTER II-1
ROLE 1
AUDITING OR ASSESSING PERFORMANCE
AND PERFORMANCE MANAGEMENT
SYSTEMS

Role 1 is a traditional role for many auditors who conduct studies of services, programs, systems, or practices and make recommendations for improvement, with the emphasis here on program or service performance (Practice 1a), or on the systems or practices that support performance management of a government program, agency, or entire entity (Practice 1b).

Summary of Role 1 Practices and Examples

Practice 1a: Measure or assess performance during an audit or other study based on authoritative auditing standards. Practice 1a is typical among government audit organizations that do performance auditing, and auditors have well-established standards for performing these kinds of audits. So, rather than include many examples of this practice, we have included three that represent different ways that auditors’ use of measurement in audits and studies relates to the status of performance measurement or performance management in their jurisdictions:

- In **Kansas City (p. 34)**, Missouri, performance measurement in the department audited was not well developed, so the city auditor designed and used its own measurement system, and the results led to the department establishing a similar system going forward.
- In **Florida (p. 35)**, performance management is already well developed. This example mentions a case in which the Office of Program Policy Analysis and Government Accountability (OPPAGA) used existing performance measures in an audit, and then emphasizes another study in which OPPAGA had to take a deeper look than existing measures would provide to satisfy a policy evaluation request of the state legislature.
- In **Phoenix (p. 36)**, Arizona, performance management is also well developed, but the city auditor was asked to develop measures and conduct a multi-year evaluation for a new program operated jointly by several departments and government entities, helping these agencies learn from evaluation results and improve the program each year.
Practice 1b: Audit or assess existing performance management systems or practices. In Practice 1b, instead of directly examining the performance of a program, agency, or entity, the auditor examines any or all of the systems or practices that support performance management of that program or entity. That examination may range from one set of practices, such as the use of performance measures, to all the systems (and management controls on the systems) that are, or should be, used to support “managing for results” of an agency or entity. The six examples of Practice 1b fit into three groups:

- The first three examples involve the use of criteria-based models to assess aspects of performance management:
  - In Michigan (p. 38), the auditor general uses a “continuous quality improvement framework” as a model to help determine whether a state agency has the measures and systems in place to adequately evaluate its own program effectiveness.
  - In Florida (p. 38), OPPAGA uses a defined list of “best practices” and indicators of how well each practice is performed to work with the auditor general on “best practice reviews” of school districts; sample best practices and indicators for “performance accountability systems” are provided in this OPPAGA example.
  - The Austin (p. 40), Texas, city auditor example describes a series of entity-wide studies of performance management of the entire city government conducted by the city auditor over the years, including the parts of the “performance accountability model” used in the most recent (2002) entity-wide assessment.

- The next two examples include studies of performance measures and their use in specific agencies:
  - The city auditor of Portland (p. 42), Oregon, also includes an example of reporting the strengths and weaknesses of agencies’ “managing for results” systems.
  - The Metro (p. 43) auditor (of the Portland Metro regional government) example demonstrates the value of helping a new program get its performance measures and measurement practices in order early.

- The final example, from the Texas (p. 44) state auditor, involves high-level reviews of information technology systems that support performance measures of state entities.

Full Examples of Role 1

Practice 1a. Measure or assess performance during an audit or other study based on authoritative auditing standards.

Kansas City, Missouri, City Auditor (www.kcmo.org/auditor): When the city auditor’s office conducts performance audits and finds existing performance measures or data inadequate for assessing agency or program performance, that inadequacy may be a finding in itself, or the
auditors may develop measures they consider more valid and obtain needed data to make a judgment on current performance. When auditors attempt to develop new performance measures for an agency, before collecting data, they generally ask agency management if the new measures seem reasonable to them. Auditors will consider criticisms or alternatives suggested by management, but will not necessarily take their response at face value. The early consultation with management may help avoid the auditors “going down a blind alley” in pursuing data that does not turn out to be valid or useful, and may help lead to better measures being identified that will have more credibility for future use by management. But even if the auditors decide not to accept management criticism and they stick with the measures they initially suggested, at least management will have been advised of the audit direction, and will not be surprised at the end. The city auditor’s office follows Government Auditing Standards (Yellow Book).

The city auditor’s experience with the Department of Parks and Recreation in recent years is an example of how findings of a lack of performance measures in earlier auditor projects led to a later performance audit in which the audit staff measured performance themselves. The city auditor’s office made recommendations in February 1996 and March 2000 that the Parks and Recreation Department develop standards for maintenance quality, and report the percent of facilities and grounds maintained to standard as measured by trained observers. In 2002, with the department still not reporting data on parks conditions, the city auditor’s office conducted a performance audit in which it designed its own trained observer rating system using a five-point scale, and inspected and rated conditions in 50 parks. Audit office staff photographed park conditions to support their ratings, and included selected photos in the November 2002 audit report to illustrate some of the more common problem conditions found. As a result of this audit, and subsequent questions of the department by City Council, the Department of Parks and Recreation established its own trained observer rating system, and is rating park conditions by geographic sector so it can internally benchmark conditions by district.


**Florida Office of Program Policy Analysis and Government Accountability (OPPAGA)** (www.oppaga.state.fl.us): Florida’s Performance Based Program Budgeting (PB²) system, mandated by the state’s Government Performance and Accountability Act of 1994, has been providing OPPAGA with a source of performance measures and data on major state programs, starting with a few agencies in 1995 and growing to all state agencies by 2002, when PB² was fully phased in. PB² performance data can be useful in OPPAGA audits and studies. For example, the food stamp error rate is a PB² performance measure. A recent study of the state’s economic services program found that high food stamp error rates cost the state $2.2 million for fiscal years 2001 and 2002. However, PB² measures and other data agencies may track for their own use may
not always adequately reflect aspects of performance OPPAGA is reviewing as part of an audit. In those cases, OPPAGA analysts will develop their own measures and collect data to meet their audit objectives. In the process of these audits and studies, OPPAGA frequently identifies different performance measures that should be used by agencies and programs. OPPAGA follows The IIA’s *International Standards for the Professional Practice of Internal Auditing (Standards)* in all its audit work.

An agency’s PB² performance measures can be considered reasonably strong, providing key measures that give a reasonably complete, high-level picture of performance to the legislature and the public, as is the case with Florida’s Department of Education. However, the legislature may want OPPAGA to take a deeper look to evaluate policies or programs whose effects may not be apparent in the PB² data. For example, in 2002 the legislature directed OPPAGA to examine the likely effect of “Bright Futures” scholarships on high school students’ course selections and academic performance. “Bright Futures” scholarships are given to students taking 15 hours of demanding college preparatory courses who earn a 3.5 grade average and score well on college entrance exams. To determine whether students selected more rigorous courses after the scholarships became available, OPPAGA obtained Department of Education databases containing student transcripts and test scores and analyzed the course selections of students who were in school before and after the scholarships became available in 1997. From this analysis, OPPAGA was able to conclude that, although other factors may have contributed, students who were eligible for the “Bright Futures” scholarships took more demanding courses and performed better than students who graduated before the scholarships became available.

The report, *Program Review: Bright Futures Contributes to Improved College Preparation, Affordability, and Enrollment*, February 2003, is available from OPPAGA’s Florida Monitor Web site (www.oppaga.state.fl.us).

**Phoenix, Arizona, City Auditor** (http://phoenix.gov/AUDITOR): The City Auditor Department does not have a regular annual program of performance audits. However, the auditor department does do performance audits, special studies of performance measures, and program evaluations, based on Government Auditing Standards (Yellow Book), on request. Reasons the auditor department is likely to become involved in such projects include:

- There is a change in department or division management;
- There has been a major shift in department focus (as when new funding became available for public transit), creating a need to reevaluate the performance measurement focus;
- A major new program has been started — especially a complex interdepartmental or cross-jurisdiction program — and a performance measurement or evaluation approach is
needed, which is the reason the auditor department undertook the sample project described below.

The Juvenile Accountability Incentive Block Grant (JAIBG) funds “Safe Schools Teams” in the Phoenix area, and pays for Maricopa County probation officers, police school resource officers from the city of Phoenix and one from the city of Glendale, and city of Phoenix social workers. Although the grant is administered by Maricopa County, the Phoenix City Auditor Department was asked to develop a performance evaluation approach, and used it to evaluate the program for its first three years (1999-2000 through 2001-02). The City Auditor Department developed the project scope in collaboration with the City Human Services Department and police department, and the County Juvenile Probation Department. Performance measurement and analysis approaches used by the City Auditor Department in these evaluations included:

- Annual surveys of JAIBG school students, parents, and teachers on perceptions of school safety, awareness of the JAIBG team, and whether they think the team can make a difference.
- Evaluation of key processes of the program, including benchmarking different approaches used by teams at different schools to determine best practices, including different ways the teams measured “target groups” of at-risk students designated at several schools;
- Comparisons of crime rates in the 14 JAIBG schools over the three program years (individually and as a group), and against all schools county-wide.

The third-year audit report included school-by-school and overall performance results from the surveys and crime data (e.g., crime reduction at the JAIBG schools exceeded crime reduction at schools county-wide over three years). The audit also reported on the extent of implementation of the previous year’s recommendations, identified a list of best practices, and made further recommendations, many having to do with improving communications and “marketing” the teams to increase parent awareness and build stronger working relationships with school staff. The City Auditor Department’s involvement from the start added value to the program by helping the implementing departments and staff sort through the many program complexities, learn from performance comparisons and from different practices attempted by different teams, and adjust the program for improvement from year to year.

**Practice 1b. Audit or assess existing performance management systems or practices.**

*Three examples involving the use of criteria-based models to assess aspects of performance management:*
**State of Michigan Auditor General** (www.state.mi.us/audgen): Ten years ago the governor ordered state agencies to implement management systems that include establishment of performance measures and related information systems to gather performance data. The Office of the Auditor General’s performance audits routinely address the extent to which state agencies have processes in place to measure the success of their programs. The Auditor General’s Office uses a “continuous quality improvement framework” as a model to guide its determination of whether an agency has the measures and systems in place to adequately evaluate program effectiveness, and to determine what system improvements to recommend. The framework is documented as a flowchart with a series of steps for auditors to follow, and key questions that determine direction of an auditor’s study, including, for example:

- Are goals and objectives measurable?
  - If “No,” develop performance measures in consultation with the program;
  - If “Yes,” go to the next question.
- Is there a management information system (MIS) to monitor effectiveness?
  - If “No,” determine if data exists to measure the effectiveness of the program in achieving its mission, goals, objectives;
  - If “Yes,” go to the next question.
- Are MIS data accurate and reliable?

For all “No” answers, the framework notes “consider an audit finding.” For all “Yes” answers, the framework notes “consider a noteworthy accomplishment.” For example, in an audit of the effectiveness of reducing the generation of waste issued in a February 2002 report, the auditor general found that the Department of Environmental Quality (DEQ) did not have a fully developed performance measurement methodology by which management or the legislature could assess the effectiveness of DEQ’s efforts to facilitate source reduction activities. The audit found that the DEQ lacks performance standards and goals as well as a management information system to gather accurate performance data, to compare performance data with desired outcomes, and to report the results of the comparison to management. The auditor general recommended that the DEQ fully develop a performance assessment methodology by which DEQ management and the legislature can assess the effectiveness of DEQ’s efforts to facilitate source reduction activities.


**Florida Office of Program Policy Analysis and Government Accountability (OPPAGA, www.oppaga.state.fl.us):** OPPAGA routinely performs this practice as part of its performance audits (see 1a) and “Program Evaluation and Justification Reviews” (see 5c), but not currently as
separate audit projects focusing exclusively on agency performance management systems. In the 1990s, OPPAGA had a greater focus on this practice to help improve agency accountability systems and provide guidance to the legislature on improving Florida’s Performance Based Program Budgeting (PB²) system (see 5a) as it was evolving into a mature system.

More recently, in response to the Florida Sharpening the Pencil Act of 2001, OPPAGA and the Florida auditor general developed “Best Financial Management Practices for Florida School Districts,” and revised them in 2002. As required by the act, the state’s commissioner of education adopted the best practices as standards for “Best Financial Management Practices Reviews,” conducted jointly by OPPAGA and the auditor general, which every public school district in Florida must undergo every five years. These reviews do not typically focus on compliance, but focus more on school districts improving their business and performance management practices. For example, they encourage school districts to:

- Use performance and cost-efficiency measures to evaluate programs;
- Identify potential cost savings through privatization and alternative service delivery; and
- Link financial planning and budgeting to district priorities, including student performance.

The revised best practices cover 10 educational and operational areas, with detailed indicators to assess how well each practice is used. The three most relevant areas to this Guide’s auditor practice “1b. Audit or assess existing performance management systems and practices,” are:

- **Cost Control Systems**, which address, among other things, the usefulness, timeliness, and accuracy of financial data;
- **Administrative and Instructional Technology**, which addresses, among other things, accuracy of computerized information and appropriate controls on those systems;
- And especially **Performance Accountability Systems**, which address the extent to which:
  - The district has clearly stated goals and measurable objectives that can be achieved within budget for each major educational and operational program, as assessed by 10 indicators, including, for example, whether the district:
    - Has an accountability system for measuring progress toward program objectives;
    - Designs program objectives to be achievable within existing resources;
    - Compares its performance to benchmarks, which may be its past performance or, when data are available, performance of comparable districts, or industry standards;
    - Regularly tracks and uses performance information to make management decisions.
  - The district formally evaluates the performance and cost of its major educational and operational programs and uses evaluation results to improve program performance and cost-efficiency as assessed by seven indicators.
The district clearly reports on the performance and cost-efficiency of its major educational and operational programs to ensure accountability to parents and other taxpayers, as assessed by five indicators, including, for example, whether the district:

- Reports its progress toward meeting the goals of its major educational programs and, if considered necessary, its other programs, to school advisory councils, parents, and other taxpayers in a manner that is clear and understandable and does not require undue assistance to interpret its meaning or significance;
- The district’s progress reports include disaggregated student performance information for special groups of students (e.g., ESE, ESOL, or at-risk students).

The following audit reports are available from OPPAGA’s Florida Monitor Web site (www.oppaga.state.fl.us):

- The School District Reviews;
- Best Practices (Revised in 2002), downloadable by operational area;

**Austin, Texas, City Auditor** (www.ci.austin.tx.us/auditor): The Office of the City Auditor has been reviewing city departments’ performance measures as part of performance audits since 1985. Since 1994, the Office of the City Auditor has conducted several entity-wide audits of the city of Austin’s existing performance measurement system. The impetus for these reviews was a 1992 performance measurement and reporting resolution drafted by the Office of the City Auditor and passed by the Austin City Council (see 5a). The resolution called on the city auditor to determine if performance measurement systems are being developed and effectively used to monitor performance and facilitate decision making. The City Auditor’s Office uses an average of about 3,500 staff-hours for an entity-wide performance measurement system audit.

In 1994, the first performance measurement system audit was conducted. This audit found that the quality of the performance information was not yet suitable for management decision-making and resource allocation decisions. Guidelines for Quarterly Reports on Council Priorities needed to be strengthened to require more efficiency measures and more comparisons drawn to external entities, and to reduce the number of annual indicators and interim measures reported quarterly. Management concurred with all recommendations of this audit.

In 1996, a second performance measurement system audit was conducted. The purpose of this audit was to determine whether the city’s Performance Measurement and Reporting System (PMRS) was being adequately developed and implemented by city management. The audit found
that although management had made improvements, and a number of significant initiatives were underway to strengthen the system, it was not yet comprehensive and well-integrated enough so that it could consistently provide useful, accurate, and reliable performance information for decision making. The audit compared conditions that were observed in the city at the time with the essential components for an effective PMRS. The audit presented 10 recommendations focused on ensuring a return on the city’s investment in PMRS. Management fully concurred with nine of the recommendations and partially concurred with one.

The third performance measurement system audit was conducted in 1998 as part of a partnership project with management. The audit pointed out that great strides had been made, but there was a need to plan information systems to meet performance information needs and to strengthen linkage between program and department performance plans and city strategic priorities. Further, council and city management indicated a strong desire for improved performance reporting to manage operations, monitor the progress of key initiatives, and guide the city toward its long-term vision. This audit served as a catalyst for the City Manager’s Office initiative to improve the City’s Performance Measurement and Reporting System. Management’s response to the audit’s five recommendations was conveyed as a proposal for a city corporate initiative in fiscal 1999 to accelerate the city’s efforts to become a performance-based organization. Management’s proposal included steps to: simplify the system; help employees develop meaningful measures; clarify information provided to make it more useful to employees, the council, and the public; and focus on cost for basic city services.

In 2002, the Office of the City Auditor, on direction from the City Council’s Audit and Finance Committee, decided to forego conducting a full audit of the performance measurement system and instead conducted a limited scope assessment of the system. The assessment involved little detailed testing and fieldwork. Instead, it provided a high-level review of all aspects of the city’s performance measurement efforts at both the corporate and department levels in terms of a performance accountability model that included: strategic and annual planning, performance budgeting, performance measurement and reporting, performance-based decision making, and the technological and human infrastructure to support such a system. The assessment reported that significant progress has been made since 1998, including implementation of program budgeting, a business planning process, and a centralized database for tracking the city’s performance measurement data. The assessment found that a solid infrastructure that includes systems and staffing to support the city’s performance accountability system is lacking. For example, the team that reviewed measures for relevance (which included city auditor representatives) was disbanded in 2001. Other weaknesses identified included: the number of output measures have been decreasing, few demand measures are being used, and key performance management documents — including the city’s budgets, quarterly financial and performance reports, and a community scorecard — vary in their usefulness to support decision making. The assessment presented 15 strategies to strengthen the current system.

The Institute of Internal Auditors Research Foundation
Summaries of the following audit reports are available from the city auditor’s Web site (www.ci.austin.tx.us/auditor):


Two examples that include *studies of performance measures and their use* in specific agencies:

**Portland, Oregon, City Auditor** (www.portlandonline.com/auditor): The City Auditor’s Office sometimes examines aspects of an agency’s performance management system as part of a larger performance audit, and occasionally conducts an entire audit focused on an agency’s existing performance measures or performance management system. For example, a performance audit focused entirely on the management systems of the Bureau of Parks and Recreation. The February 2000 audit report included a chapter titled “Managing for Results: Setting a Course, Measuring Performance,” which described bureau strengths (e.g., mission and goals) and weaknesses (e.g., objectives, performance measures, data reliability and timeliness, communicating and using data) in managing for results. Six other cities’ parks and recreation measures were provided as contrasts with the Portland bureau’s measures. The report included a series of recommendations for improving bureau performance measurement and use of performance information, including a set of “proposed core performance measures” for the bureau. For each proposed measure, the report indicated whether reliable data already existed, the recommended data source, and the relationship of the measures to bureau’s mission and goals. Similarly, an audit of the city’s development review process included a review of performance management, and the January 2003 audit report included a chapter titled “The Need for Better Performance Measurement.” The chapter indicated weaknesses in the Bureau of Development Services mission and goal statements and suggested alternatives, suggested possible revisions of performance indicators, and charted the relationship of results indicators with suggested alternative mission and goals. In an earlier project, at the request of the Bureau of General Services, the Auditor’s Office conducted a study to develop performance measures for the bureau’s Facilities Services Division. The April 1999 report included 20 performance measures the audit staff had identified, an early look at results for some measures, and recommended next steps for the division to develop a full performance monitoring system. (See Practice 4a for the city auditor’s entity-wide study of performance management systems.)

The following audit reports are available as “publications” from the city auditor’s Web site (www.portlandonline.com/auditor) or as “audit reports” from the Audit Services Division home page (www.portlandonline.com/auditor/auditservices):
Facilities Services Division Bureau of General Services: Developing and Reporting Performance Measures, April 1999


Metro Auditor (www.metro-region.org/auditor), Portland, Oregon, Metro area regional government: As part of its efforts to influence the Metro regional government to be more results-oriented, the Metro Auditor’s Office will examine, during a performance audit, the extent to which an organization exhibits elements of performance management, and examine the adequacy of those elements. Since 2000, the Metro Auditor’s Office has conducted two audits that specifically examined an organization’s goals and objectives, performance measures, and how the performance measures were used, and made recommendations for improvements in performance measures and their use. The first such audit was of a large Metro organization, the Oregon Zoo. The second audit, described further below, was of a small Metro program, Transportation-Oriented Development (TOD). The Metro Auditor’s Office used the Governmental Accounting Standards Board’s (GASB’s) Service Efforts and Accomplishments (SEA) terminology in the text and title of these audit reports. The Auditor’s Office also considered whether measures met the GASB’s six key characteristics for SEA measures (relevance, understandability, comparability, timeliness, consistency, reliability). In years when they conduct performance management assessments, Metro auditor staff spend about 1,200 hours on this practice.

TOD is designed as a high-leverage program, in that its relatively small government budget is supposed to stimulate much greater funding in desired kinds of private development to achieve important land-use, development, and transportation goals of the Metro government. So it has a “performance risk” or level of importance in achieving Metro’s core mission well beyond the size of its budget. The TOD audit, reported on in March 2001, is an example of the usefulness of auditing the performance management of a relatively new program still in the process of developing its performance management approach. In conducting this audit, Metro auditor staff identified program customers, mission, long-term goals, and short-term objectives as ground work for establishing key SEA measures. They also evaluated current performance measures of Metro, the Federal Transit Administration, and other stakeholders to determine their reasonableness and applicability as the program evolves. Based on this background, audit staff worked with TOD program managers to develop SEA measures for the program, limiting these to an essential few that would provide information for accountability, policy-making, and program management. In addition, audit staff discussed related issues with TOD program partners from the public and private sectors and TOD managers from other locations. Toward the end of fieldwork, audit staff discussed study results with TOD program managers and made recommendations for enhanced SEA measures that will reflect program accomplishments.
In the audit report, the Metro Auditor’s Office recognized that TOD managers had developed innovative ways to measure some aspects of effectiveness. The report also credited TOD managers with enhancing a measure based on auditor suggestions and gaining approval of the enhancement by the steering committee that oversees the TOD. The enhancement involved quantifying and measuring project benefits relating to changes in walking and biking (in addition to increasing transit use). The Metro Auditor’s Office concluded that it will be important for the TOD to further develop performance measures, data sources, and data collection as the program matures. For example, as new projects are started it will be essential to continue TOD’s practice of collecting baseline data. As projects are completed, it will be important to have good ways to collect actual data on benefits to compare with estimated benefits and baselines. One of the Metro auditor’s recommendations was that the TOD performance measurement process should be simplified going forward, “by selecting a limited set of the best, most useful performance measures — the vital few — that address the program’s highest priorities.” The report included a list of five “Proposed Vital SEA Effectiveness Measures,” including, for example, “increased modal share of transit and non-auto trips as a direct result of TOD project,” and “constructed targeted number of higher-density housing units and targeted number of mixed use buildings.” In his response to the audit report, the executive officer of the Metro government accepted these measures as a list of vital measures to propose to the TOD steering committee.

These reports are available at the Metro auditor’s Web site (www.metro-region.org/auditor):

- Oregon Zoo Service Efforts and Accomplishments, August 2000

An example of high-level reviews of information technology systems that support performance measures:

Texas State Auditor (www.sao.state.tx.us): In 2002, the Texas State Auditor’s Office (SAO) began conducting high-level reviews of information technology within the 14 entities subject to performance measures certification audits (see 2a). Ten of these entities were using complex automated systems to process performance measurement data. The SAO wanted to see how these entities used technology to calculate their performance measure results. Audit work was limited to only those systems that supported the audited performance measures. The process for assessing the automated systems within the 10 entities began with a questionnaire that was sent to the IT individuals involved in supporting a particular measure. The purpose of the questionnaire was to assess the controls of key automation systems related to selected performance measures. The questionnaire included specific questions related to general and application controls. Findings
of these IT reviews were included under each of those 10 entities in the SAO report noted below, which discussed specific deficiencies and recommendations for addressing them. Overall, the audit found that extensive reliance on automated systems did not necessarily increase the reliability of reported results. However, entities that use systems extensively can collect and perform complex calculations on large amounts of performance data.

*An Audit Report on Fiscal Year 2001 Performance Measures at 14 Entities, November 2002,* is available from the Texas SAO Web site ([www.sao.state.tx.us](http://www.sao.state.tx.us)).
CHAPTER II-2
ROLE 2
ASSESSING THE QUALITY
OF PERFORMANCE INFORMATION
OR PERFORMANCE REPORTS

Role 2 is a traditional role for auditors in that it involves assessing whether information is of the quality needed for its use. For performance measurement information (Practice 2a), “quality” is condensed here to mean “relevance” and “reliability” of performance measures and data. For performance reports (Practice 2b), quality refers to the relevance and reliability of reported information plus the adequacy of reports for meeting user needs. However, different audit organizations may use their own more detailed criteria to determine relevance, reliability, and adequacy. Many examples provide a sampling of criteria used. Some describe steps followed in the testing process.

Immediately following the Role 2 examples, Figures 2-1 and 2-2 provide a quick comparison of how most audit organizations highlighted in Role 2 approach assessing relevance and reliability. Each figure presents a matrix based on a brief questionnaire answered by these audit organizations asking whether they attempted to answer particular questions when testing for relevance and reliability, and how many performance measures they test each year. All but one audit office in Role 2 responded to the questionnaire.

No examples are provided for Practice 2c involving support of external review processes. This is presented as “a potential future practice” in view of the Governmental Accounting Standards Board’s publication of “suggested criteria” for performance reporting, and the related review process established by the Association of Government Accountants.

Summary of Role 2 Practices and Examples

Practice 2a: Test or certify performance measurement relevance, reliability, or both.
The 13 examples for Practice 2a fit into the following three groups:

- The first four examples primarily involve testing reliability of performance information:
- The **Texas** (p. 50) state auditor uses a 10-step process to *certify* the accuracy of performance measures which has become a model adapted by several other state and local auditors.

- The **Austin** (p. 51), Texas, Corporate Internal Auditor’s certification process is modeled on the Texas State Auditor’s. The city of Austin also trains department staff in a process to assess the accuracy of their own performance data and system controls.

- In **Maricopa County** (p. 51), Arizona, internal audit also adapted the Texas certification system for its own use; this example also includes risk factors internal audit uses to decide which measures to test.

- The **Nevada** (p. 52) legislative auditor’s approach to testing agencies’ performance measure reliability includes assessing the reasonableness of measurement methodologies.

- The **Colorado Springs** (p. 53) example includes some of the steps in the city auditor’s audit program for testing the reliability of selected measures reported in the city budget.

  - The next four examples involve **testing both relevance and reliability** of performance information:

    - In the 1990s, the **Florida** (p. 54) Office of Program Policy Analysis and Government Accountability (OPPAGA) issued “accountability ratings” to state programs during the implementation of Florida’s performance budgeting system, based on how well the program’s measures met four sets of criteria related to relevance and reliability.

    - The **Louisiana** (p. 55) legislative auditor’s staff assesses risk to determine which measures to test, and follow a fieldwork plan highlighted in this example to test reliability and relevance.

    - The **Virginia** (p. 55) auditor of public accounts has reviewed the accuracy of agency performance measures and whether performance baselines and targets were reasonable.

    - The **Kansas City** (p. 56), Missouri, city auditor’s relevance criteria includes whether external comparability is possible with other organizations that provide the same service; the city auditor’s reliability risk factors include whether data collection personnel know why they are collecting the data in a specific way.

  - The final four examples primarily involve **testing relevance and reliability of measures and data to be included in external performance reports**:

    - Each year, the **Portland** (p. 57), Oregon, City Auditor’s Office reviews data and backup documentation submitted by management for all measures in Portland’s annual Service Efforts and Accomplishments (SEA) Report, and questions about 20 to 25 percent of the SEA measures, which can lead to in-depth reviews.

    - Each year, **Prince William County** (p. 58), Virginia, internal audit audits about five to 10 percent of measures the county reports in the annual budget and annual SEA
Report, and audits all SEA measures of any new service to be added to the report that year.

- In 2000-01, the Phoenix (p. 59), Arizona, City Auditor Department validated all measures and how they are graphically presented in the monthly City Manager Executive Report to prepare for publication of the report on the Internet; now the auditor department validates about 25 percent of measures in the report each year, and reviews all new measures and graphs before they are posted.

- The Gwinnett County (p. 60), Georgia, annual performance report is fairly new and still evolving, so internal audit recently tested the relevance of all measures, leading to some being dropped or replaced; auditors also follow verification steps described in the example to test the reliability of reported measures by two or three departments a year.

Practice 2b: Audit, attest to, assure, or certify external performance reports. All five examples for Practice 2b involve auditors assessing one or more external performance reports, including reports by entire units of government, or by agencies or other entities of a government:

- The example for Milwaukee County (p. 61), Wisconsin notes the key concepts followed by the Department of Audit in assessing reported performance, criteria used for assessing agency outcome statements and indicators, and a summary of audit program steps.

- The Alberta (p. 62) example describes the auditor general’s checking procedures for assessing core measures and supplemental information in the province’s annual “Measuring Up” performance reports, and the auditor general’s multi-year strategy to increase the level of assurance provided for performance information.

- The British Columbia (p. 64) auditor general follows a “learning model” approach, using detailed assessment scales to determine progress made by provincial entities through four developmental stages related to a set of principles of a good performance report. In its reports on performance reporting, the auditor general has included matrices showing the progress made by provincial entities in implementing these principles.

- The Quebec (p. 67) example lists the public reporting principles of the CCAF-FCVI (formerly the Canadian Comprehensive Auditing Foundation), which the auditor general’s staff use when reviewing performance reports, and three selected findings from an audit of 16 performance reports by provincial entities.

- The Saskatchewan (p. 68) example also references the CCAF-FCVI principles used by the provincial auditor for assessing annual performance reports, and discusses the provincial auditor’s efforts and key findings in assessing health indicators reports.
Full Examples of Role 2

Practice 2a. Test or certify performance measurement relevance, reliability, or both.

Four examples that primarily involve testing reliability of performance information:

**Texas State Auditor** (www.sao.state.tx.us): The Texas State Auditor’s Office (SAO) has been conducting audits of performance data since 1994, and devotes an average of 5,000 staff-hours per year to this practice. The SAO assesses the accuracy of reported performance measures to ensure that the governor and legislature have accurate information when making decisions or evaluating state agencies. The SAO’s process for auditing performance measures has become a model used by local and state governments throughout the country, including the city of Austin, Texas; Maricopa County, Arizona; and the state of Nevada. To determine if agency performance information is accurate as reported and is managed in a reliable system with adequate internal controls, the SAO follows these 10 steps:

1. Select agencies to audit based on a risk assessment.
2. For each agency selected, determine if the agency can recreate the numbers reported in the Texas Automated Budget and Evaluation System (ABEST). The agency must be able to produce summary documentation that supports the performance measure data reported within plus or minus five percent.
3. Determine the method the agency used to collect and calculate the performance data.
4. Determine if the agency followed the definition for each measure. Measure definitions should be clear, specific, and not open to interpretation. Measure definitions should include: What the measure is intended to show and why it is important, specific sources of information and how data are collected, how the measure is calculated, identification of any data limitations, identification if the measure is cumulative or noncumulative.
5. Determine whether the agency keeps data on a manual or automated system.
6. Determine whether adequate controls over performance measure data exist to ensure consistent reporting of accurate information. In this step the auditor determines whether necessary controls exist at each point in the data flow from initial points that the data are recorded until the accumulated measure information is entered into ABEST.
7. Obtain a list of items to be sampled from the agency.
8. Choose a sample. The auditor uses a margin of error of plus or minus five percent. If controls over the accuracy of the measures are strong, the sample size is 29. If the controls are weak or moderate, the sample size is 61.
9. Test the source documentation for accuracy.
10. Determine each performance measure’s certification category. The five categories are: certified, certified with qualifications, factors prevented certification, inaccurate, and not applicable.

The certification audit reports include recommendations for improvement and the agency response. Texas has legislation that requires agencies to report to the SAO twice each year on the status of implementation of recommendations made in the audit reports. The chapter “Auditing Performance Measures” in the SAO Guide noted below details the 10-step process, including examples for many steps and explanations of the certification categories.

*Guide to Performance Measures Management* is a “Resource” available from the Texas SAO Web site (www.sao.state.tx.us). “Reports” at the SAO Web site include reports of audits of performance measures of state entities.

**Austin, Texas, Corporate Internal Audit.** Since 2002, the city’s Corporate Internal Audit Office, which reports to city management (not to the city auditor who reports to the City Council), has been conducting formal performance measurement certification audits, and devotes an average of 1,500 staff-hours per year to this practice. The city of Austin’s process for certification audits is modeled after a system developed in 1994 by the Texas State Auditor’s Office, similar to the 10 steps in the Texas example above. The Austin certification process formally runs 17 steps by incorporating additional steps common to most performance audits. Corporate internal audit has completed audits of performance measures in three departments. In fiscal year 2003-04, internal audit plans to audit measures in two additional departments. To audit a single performance measure takes from 25 to 30 staff hours.

In 2003 a process for conducting a performance measures self-assessment was added to the city’s Managing for Results (MFR) Business Planning Guide noted below, and was introduced to department representatives during MFR training. Using this process, departments can assess the accuracy of their own performance measurement data and system controls.

The performance measures self-assessment steps are on pages 66-80 of the city of Austin’s *Resource Guide for Business Planning* (revised 2003), which can be downloaded from the city Budget Office’s Managing for Results Web page (www.ci.austin.tx.us/budget/mfr.htm).

**Maricopa County, Arizona, Internal Audit** (www.maricopa.gov/internal_audit): In late 2001, during fiscal year 2002, the Maricopa County auditor initiated a performance measurement certification process that builds upon the one used by the state auditor of Texas to test and certify the reliability of data. In the first year of the process, internal audit also formally tested and
reported on the relevance of performance measures. In a step at the front-end of the process, an auditor reviewed relevance by assessing the alignment of a department’s performance measures with the county’s strategic plan. Internal audit found relevance testing more subjective and time consuming than desired for its formal audit work. So, since fiscal 2002, internal audit may informally suggest to county leadership that the relevance of their measures needs to be improved, but currently, they only report on the accuracy of the measures.

Measures are chosen for certification testing based upon a risk assessment that considers several factors, including organizational changes, size and volatility of department budgets, unexpected reported performance levels, concerns relayed by county leadership, previous problems, and date of the last review. Audit staff review the calculation of reported measures, evaluate data collection procedures, and test a sample of source documents and reported results. They use a certification checklist similar to that of the Texas state auditor to serve as a basis for reporting results. Upon completing the evaluations, they assign a certification rating and report their conclusions. One senior auditor was dedicated to certification during fiscal 2002. The fiscal 2002 certification audit report covered 34 measures from seven departments. It takes the internal audit staff 25 to 30 hours to certify a measure. They spend about 1,000 staff hours annually on this practice. In fiscal 2003, internal audit decided not to have one person solely devoted to certifying measures. Now, whenever internal audit conducts a performance audit, one auditor is assigned to certify the measures of the program being audited.

The certification reviews are conducted in accordance with the county’s Managing for Results policy passed in fiscal 2001 by the County Board of Supervisors, and an audit plan approved by the board. The policy states that internal audit will review and report on strategic plans and performance measures. Performance measurement certification has the full support of both the County Board of Supervisors (to whom the county auditor and internal audit report) and county management. The county administrative officer who spearheaded the county’s managing-for-results initiative recognized from the outset the importance of accurate performance measures and has championed internal audit’s role in making the program credible.

The following are available from internal audit’s Web site (www.maricopa.gov/internal_audit):

- **Performance Measurement Certification (PMC) reports, June 2002 and July 2003**
- **Performance Measurement Certification (PMC) Program Information Package**

**State of Nevada Legislative Auditor** (www.leg.state.nv.us/audit): State agencies are required by law to have performance measures in their budget (NRS 353). In 2001, in response to this requirement, the legislative auditor conducted an audit examining the reliability of measures
considered important to the legislature and to public understanding of performance, based in part on the dollars appropriated to each program. The legislative auditor focuses on performance measurement reliability. Executive branch agencies receive guidance on what measures are relevant to report from the State Department of Administration’s Budget and Planning Division. The legislative auditor reviewed 35 measures across various state agencies for reliability, found that about half were not reliable, and made recommendations for corrective actions. Two audit division staff devoted approximately 2,400 total hours to this audit over an 11-month period. Audit division staff followed a methodology for each measure selected that included interviewing agency personnel, documenting the measurement process, and assessing the adequacy of the control environment. They also evaluated the reasonableness of the agency’s methodology to measure each performance indicator. In one case, for example, a customer waiting time measurement process was found to be unsound because the agency tracked only one step of a three-step process. Audit staff then examined documentation supporting the reported measure. Documentation was tested for completeness and calculations were tested for accuracy. The acceptable margin of error between actual and reported performance varied depending on the nature of the measure. After completing testing procedures, auditors met with agency management to discuss their conclusions regarding the reliability of the selected performance measures. They also discussed any weaknesses noted in process design and controls, including written procedures and supervisory review.

Highlights of the report, Reliability of Performance Measures Used in the State’s Budget Process, January 2002, are available from the legislative auditor’s Web site (www.leg.state.nv.us/audit).

Colorado Springs, Colorado, City Auditor (www.springsgov.com/auditor): The city auditor started systematically reviewing departmental performance measures reported in the city’s budget document in 1998. A sample of 60 to 75 performance measures were reviewed each year for the first four years, until all major departments had experienced at least a portion of their performance measures being reviewed. Now the performance measures audit has been placed in the rotating schedule of audits to be performed every three years. An audit program is developed for performance data verification. From the 2003 audit program, one step was to obtain and review a data collection form with information about each performance measure selected for review, including the person responsible for the measure, the data source, detailed calculations, and other explanatory information. Another step was to document and evaluate the internal control structure for data collection and reporting of the measure. Audit staff also examined data accumulation processes, the consistency of numbers documented from year to year, actual performance data for previous years, and the methodology used for current year estimates. The city auditor scheduled the publication of a 2003 report on performance measurement reliability. In 2003, city auditor staff verified 66 performance measures in an audit that consumed 938 staff hours.
Four examples that involve testing both relevance and reliability of performance information:

Florida Office of Program Policy Analysis and Government Accountability (OPPAGA, www.oppaga.state.fl.us): In the 1990s, in the early stages of Florida’s implementation of Performance Based Program Budgeting (PB²) system, OPPAGA did special reviews of the reliability and relevance of program performance measures used in the budget process, and applied “accountability ratings” to the performance measurement system of each major state agency program. OPPAGA applied a rating of “Meets Expectations,” “Needs Some Modification,” “Needs Major Modification” to four “Accountability System Components” of each major program. As noted below, two of the components related mainly to relevance, one related mainly to reliability, and one related to both relevance and reliability. OPPAGA's four accountability system components were:

- **Statement of program purpose or goals (relevance):** A “Meets Expectations” rating required, for example, clear measurable objectives consistent with program purpose or goals;
- **Measures of program performance (relevance):** A “Meets Expectations” rating required, for example, valid measures related to purpose or goals that adequately assess performance, measures with cost information, and collection of baseline data used to set targets.
- **Procedures for assuring data reliability (reliability):** A “Meets Expectations” rating required adequate procedures to ensure data reliability, reliability problems corrected by staff, and agency inspector general or outside entity assessed performance data integrity.
- **System for reporting performance and use of the information by management (reliability and relevance):** A “Meets Expectations” rating required clear and understandable reporting to the legislature, resource and performance information made readily available to the public and agency managers, and routine use of the information by managers to improve programs.

In a series of “PB² Performance Reports” of many major state agency programs from 1997-1999, OPPAGA reported these accountability ratings in matrix form clearly indicating what rating was applied to each accountability system component. As agency performance measurement systems have matured with experience under the PB² system, OPPAGA no longer issues “accountability ratings” or conducts special reviews just for this purpose. However, as part of its “Program Evaluation and Justification Reviews” (see 5c), OPPAGA now reviews all performance measures reported to the legislature for the programs under review for continuing relevance and reliability. For example, in assessing continuing relevance, OPPAGA staff ask, “Do these measures still tell legislators what they need to know about the program?”
PB² Performance Reports with program accountability ratings are available from OPPAGA’s Florida Monitor Web site (www.oppaga.state.fl.us).

**State of Louisiana Legislative Auditor** ([www.lla.state.la.us](http://www.lla.state.la.us)): In 2001 Act 894 required the Office of the Legislative Auditor (OLA) to provide an assessment of agencies’ capacity to execute statutory requirements related to reporting performance progress, including progress on indicators in the state budget. The fiscal year 2002 executive budget contained over 2,000 performance indicators. To fulfill this requirement, OLA examines a sample of performance indicators of state programs on a quarterly basis. The OLA first looks at high-risk indicators, those identified as problematic in past performance audits, and those the legislature has concerns about. The OLA assesses the agency’s progress in ensuring that performance data are monitored and supported by agency records. Auditors follow a fieldwork audit plan to examine source documents for the performance indicator values; assess management controls and reliability; and conduct a limited assessment of validity, including relevance. Assessment of relevance includes determining if the reported performance indicators are suitable for their intended use; reviewing the missions, objectives, goals, and indicators to determine if they are linked; and identifying the major functions of the program to determine if the indicators are representative of those functions. Staff spend about 2,400 hours annually on this practice, with about 2,040 staff-hours focused on reliability and the remaining 360 on validity.

Revised statute 39:87.5 (D) (8) directs OLA to verify the material and substantive accuracy of information contained in incentive reward proposals within 30 days from the time they are submitted. Proposals are submitted under a program called the Exceptional Performance and Gainsharing Incentive Program. An incentive reward is based upon an agency’s year-end performance report and the agency must have exceeded the performance standard for its performance indicators by at least five percent for a particular year to receive an award.


**State of Virginia Auditor of Public Accounts** ([www.apa.state.va.us](http://www.apa.state.va.us)): House Bill 1003 in the 2002 legislative session modified the responsibilities of the auditor of public accounts (APA) to review and report annually on whether state agencies are providing and reporting appropriate information on financial and performance measures to the Department of Planning and Budget (DPB). The legislation also required that the auditor review the accuracy of the management systems used to accumulate and report the results and make recommendations for new or revised measures. This role was strengthened further in House Bill 2097 in the 2003 session, which mainly...
deal with long-term strategic planning, including parts similar to the federal Government Performance and Results Act. APA auditors previously tested data accuracy in their financial related audits and performed reviews of performance measures in individual agencies and institutions. The APA issued a statewide report of performance measures at higher education institutions in the 1999-2000 year. In that report, they had three objectives: to evaluate the process used to accumulate and report performance data; to determine the reliability of the data sources used; and to verify the accuracy of performance information reported to the DPB.

In 2002 the APA increased the scope and extent of testing of performance information and issued a statewide report on results, as required by the 2002 legislation. The objectives of the audit were to test performance measures in order to determine whether the performance measurement information submitted to DPB was accurate and reliable, and to determine whether established performance baselines and targets were reasonable. The APA staff chose measures to audit from the Virginia Results sections of the DPB Web site, and based the extent of testing done, in part, on how the agency was using performance results. The APA has included testing performance measures in its work plan, and expects to spend 500 to 700 hours on it in 2003.

The following reports are available from the APA Web site (www.apa.state.va.us):


**Kansas City, Missouri, City Auditor** (www.kcmo.org/auditor): The city auditor will test for both relevance and reliability of agency performance measures during the course of performance audits or of special studies of performance measures (see 3a). In testing the *relevance* of a service’s measures, in addition to considering whether the measures give a valid and complete picture of performance, the City Auditor’s Office looks for comparability with other organizations that provide the same service. The auditor may recommend, for example, that an agency adopt selected measures that are commonly used by other local governments, including measures identified by the task forces of the International City/County Management Association’s (ICMA) Center for Performance Measurement. As a member of the ICMA Center, Kansas City has access to data from other cities for such data. The Auditor’s Office seeks to compare performance with that of other jurisdictions in the Kansas City metropolitan area, and with other jurisdictions across the country comparable to Kansas City, Missouri. In testing *reliability*, the City Auditor’s Office will ask agency staff how data are gathered for selected measures, and will look for documented data.
collection procedures. Auditors will also talk directly with the people who collect the data to determine if they understand the reasons why they are supposed to gather data in a specific way. When personnel are just “doing what they’ve been told” to collect data without knowing why, auditors consider it a risk factor warranting further examination. To further test reliability, auditors also will sometimes observe personnel as they collect and compile data, and review computer programs for data compiled by computer. Auditors will sometimes also collect or compile a sample of data to compare with an agency’s reported data.

Four examples that involve testing both relevance and reliability of measures and data to be included in external performance reports:

**Portland, Oregon, City Auditor** ([www.portlandonline.com/auditor](http://www.portlandonline.com/auditor)): Every year, as part of the process of compiling information to be included in the city of Portland’s *Service Efforts and Accomplishments Report* (SEA Report, see 5b), the City Auditor’s Office reviews the relevance and reliability of the measures to be included in the report, which in 2003 covered nine major city services, representing 76 percent of the city’s budget and 83 percent of its staff. In recent years, the Auditor’s Office has spent an estimated 200 to 300 hours a year reviewing relevance and reliability of SEA data as part of the overall SEA reporting project. Audit time was higher when SEA reporting started in 1991, declined over two to three years, and has been generally stable since then. However, when new services have been added to the report, additional effort has been needed for two or three years to build routines and controls.

Each year, the Auditor’s Office sends a data collection form to all agencies included in the SEA Report, requesting the most recent year’s data, backup documentation, and a contact person. In the early years of SEA reporting, audit staff had to put more effort into working with agencies to establish the relevance of reported performance measures. As SEA reporting matured, the need to test relevance diminished. Now, audit staff discuss with agency managers whether the mission has shifted or the goals or objectives have changed for services reported, and only consider whether measures are relevant and need to be changed when such changes in mission, goals, or objectives have occurred. In recent years, changes in performance measures have been incremental, with only a small number each year. To test reliability, auditors examine all the supporting documentation and the pattern of the data, looking for unsubstantiated or questionable results, and ask agency staff probing questions about data concerns identified in that review. Every year, the Auditor’s Office finds the need for some changes to be made in all or most agencies’ submitted SEA data. Rarely does all of an agency’s data make it into the public SEA Report as initially submitted. The auditors document all their testing of SEA data according to Government Audit Standards to support the credibility of the information reported to the public.
For agencies where reliability issues have arisen in the recent past, new staff have become involved in performance measurement, or new measures have been established, the Auditor’s Office may plan from the start to spend more time reviewing their data in some depth. For other agencies, the depth of the review will depend upon questions that arise in the review of submitted data and documentation. Usually, not more than 20 to 25 percent of SEA measures are likely to be questioned by audit staff each year. Depending upon management’s responses to questions, or reliability issues identified in performance audits, auditors may check further, examining source documents or reviewing agency methodologies for measuring and collecting performance data. On average, audit staff conduct more in-depth reviews of two or three critical measures each year. Sometimes these more in-depth reviews are performed during the SEA project and sometimes during the course of other performance audits. For example, the City Auditor’s Office improved measurement and collection of fire response times and vehicle aging data during associated performance audits. In the course of performance audits, auditors also occasionally review the relevance and reliability of agencies’ more detailed performance indicators beyond the measures included in the SEA reports (also see 1b). Depending upon how Portland’s new managing for results process develops (see 4b), and whether the City Auditor’s Office can obtain the needed staff, auditors may perform more in-depth reviews of performance information for all city agencies, including those not included in the SEA report. This may involve cyclical reviews of a selected number of city agencies each year.

Service Efforts and Accomplishments 2002-03, November 2003, as well as previous years’ Service Efforts and Accomplishments reports are available as “publications” from the city auditor’s Web site (www.portlandonline.com/auditor) or as “audit reports” from the Audit Services Division home page (www.portlandonline.com/auditor/auditservices)

Prince William County, Virginia, Internal Audit (within the County Office of Executive Management: www.pwcgov.org/oem): Chapter two of the Prince William County Code requires that accurate documentation must be maintained to support the accuracy of service level data. The county executive may periodically require verification or audit of the program data reported by entities. The internal audit director estimates that his office audits between five and 10 percent of the performance measures that the county reports in both the annual budget and the annual Service Efforts and Accomplishments Report (SEA Report, see 5b) and devotes about 1,200 staff hours to this practice. These audits are specifically focused on the accuracy of performance data. Audit staff first conducts a trend analysis of all performance measures in a program, then select some of the measures for audit based on which measures are deemed significant in measuring the program’s performance and which exhibited substantial variation in the trend analysis. For measures selected for an audit, an audit program is prepared that generally follows a fairly standard set of steps, including comparing budget figures to figures in summary documentation. Data are checked for
accuracy, supporting documentation, and mathematical calculation. These audits are very detailed and are used to assist agencies in improving the accuracy of the data.

Internal audit started auditing performance measures in 1994 to prepare for compiling the county’s first SEA Report in 1995. In that year the report had three service areas. The county has added service areas each year for SEA reporting, to reach 17 now included in SEA Reports. As a new service area is added, all the measures for those services are audited for accuracy. Except for the first report in 1995, internal audit does not audit all data reported each year, but they do compare each year’s performance data with prior data and investigate unusual variances. In its preparation of each year’s SEA Report, the internal audit staff hold focus group meetings with each agency covered in the report to review draft report material. During the focus group meetings, unusual variances are discussed and agency staff are asked to research the reasons for the variances. About one-third of internal audit’s staff time is devoted to testing performance data.


Phoenix, Arizona, City Auditor (http://phoenix.gov/AUDITOR): The City Manager Executive Report is issued monthly, with city-wide and department-specific performance measurements presented in graphic form with written comments and highlights at the end of each department’s section. The City Auditor Department has played a role in this report for six years, devoting about 300 hours per year to this practice. Annually, audit staff ask each service department which graphs of measures they want to add, delete, or modify in the report. Audit staff will validate performance measurement data for the new graphs. The focus of their review is on the methods of data collection by the departments.

In 2001-02 the City Auditor Department validated all the graphs in the City Manager Executive Report in preparation for the report being published on the Internet. The following year, 25 percent of the graphs were validated. Although they have a formal audit program for this validation process, they do not have specific detailed steps because their detailed steps depend on what they find when they start testing. The Auditor Department’s experienced auditors can best determine how to perform the testing in each case. Their audit program simply tells them to determine if the data-gathering methods appear reasonable and to test a few months’ worth of data in the report to make sure it was reported accurately. Auditors ask themselves, “Is the graph showing the citizens what the data is really measuring? Is it accurate? Are any necessary disclosures needed?” An example of a disclosure is a footnote to say reported data are estimated, as in the case of park attendance records. During the validation process, auditors share any concerns they have with the applicable department liaison and work with the department to determine any needed changes or
corrections. Auditors verify that changes have been made correctly before the City Manager Executive Report is issued by the City Clerk Department.

Beginning 2003-04, validation auditing has become part of the City Auditor Department’s work plan for continuous auditing. Each year they expect to spend about 300 hours auditing 80 to 100 indicators (about 25 percent of those reported). In selecting measures to audit, they focus on those for which questions were raised or data-gathering problems were identified in the past, and those for which the coordinator or contact in the operating agency has changed. Also, some measures are selected randomly.

In a separate review process, every two years the City Auditor Department gathers all of the performance measures used by city departments and analyzes what percent are outcome measures to help management determine if performance measurement is becoming more results-oriented. Not all performance measures are expected to represent outcomes, as other forms of measurement are also considered important for sound management and policy. But this review helps determine if departments’ overall measurement approaches are relevant to a focus on results that the city intends to strengthen and maintain.

The City Manager Executive Report is available from the Web pages of the city manager (http://phoenix.gov/CITYGOV/citymgr.html) and City Auditor (http://phoenix.gov/AUDITOR).

Gwinnett County, Georgia, Internal Audit (from www.gwinnettcounty.com click on “Departments,” then “County Administrator,” then “Internal Audit”): Since 1999, the Gwinnett County Office of Internal Audit assesses the relevance and reliability of measures reported in the county’s annual performance report (see 5b), which is prepared by internal audit, and covers all departments under the Board of County Commissioners (through the county administrator), and those under separately elected officials who choose to participate. Internal audit has reviewed department measures to determine which should be publicly reported. To determine relevance, in 2002 internal audit reviewed every county measure in relation to the relevant department mission or section purpose, and compared measures with actual tangible outputs. Measures that did not logically make sense, or were insignificant compared with the overall function represented (e.g., counts of phone calls, visitors, Internet hits), were eliminated. This review, including internal audit staff discussions with department directors, elected officials, or their liaisons concerning proposed eliminations or changes of measures, took about three months in 2002 before verification for validity and reliability was started.

The Internal Audit Office verifies the validity and reliability of all measures reported by two to three departments each year, and selects a few measures for testing from the other departments.
participating in the annual performance report. Internal audit devotes about 1,000 hours of staff time per year to this practice. Internal audit follows these verification steps:

- Determine if reported numbers can be recreated from supporting documentation, and check sources and calculations. For computer-compiled measurements, ensure data sources and database formulas are correct. Internal audit also helps some departments increase their level of data automation to ease their reporting burden.
- Depending on the volume of data used to calculate a measure, examine all data for the year, or select a sample, such as all data for a month or a quarter. Correct results for measures where errors are found, and note causes of errors for a management letter. If the data were manually collected and unverifiable, footnote the findings but still report the measure.
- Verify that measures accurately reflect the measure definitions submitted. At times, source data are found not valid for the way a measure is articulated. In such cases, audit staff either help a department reword the measure to match the source data, or determine a better, more mission-relevant measure to report.
- Verify that controls are adequate to ensure consistent reporting and accurate information.

Internal audit prepares a management letter to department directors and elected officials specifying results of the performance measurement verification, and footnotes inconsistencies and other explanations in the annual public performance report, based on verification findings.

Practice 2b. Audit, attest to, assure, or certify external performance reports.

**Milwaukee County, Wisconsin, Department of Audit** (from http://milwaukeecounty.org click on “Directory” then on “Audit, Department of”): In September 1999, Milwaukee County adopted a strategic planning document, “Charting the Course: Milwaukee County’s Goals, Strategies, Action 2002-2004.” With the adoption of “Charting the Course,” the Department of Audit was directed to annually audit a County-wide Performance Report compiled by the Department of Administration. Each of these audits has taken about 900 staff hours. The Department of Audit has used a two-tiered audit approach: Select five departments for detailed review, and perform a limited “desk review” of 16 other departments’ and divisions’ performance reports. The objective was to develop a general sense of the progress made by the county as a whole in developing a performance report. Performance reports were assessed using the following key concepts: Linkage of departmental statements of purpose (missions) to those of the county as a whole; connectivity of information gathered to measure success to the desired benefits to customers of the department; and reliability and accuracy of the data collected to measure results. For example, auditors used the following questions as criteria to assess agency outcome statements and indicators for measuring progress in achieving the outcomes:
• Criteria for assessing outcome statements:
  - Can the department influence the outcome in a nontrivial way even though it can’t control it?
  - Would measurement of the outcome identify program success and pinpoint problems?
  - Will the department’s various customers accept this as a valid outcome?
  - Does the outcome relate to the county’s primary goals?
  - Does the outcome relate to the departmental goals, objectives, strategies, and functions?
  - Does the outcome capture a significant aspect of agency operations?

• Criteria for assessing indicators of outcomes:
  - Does it measure the outcome?
  - Is it linked to a specific and critical process in the organization?
  - Is it understood at all levels that participate in evaluating and using the measure?
  - Is it effective in prompting action?
  - Is it credible and can be communicated effectively to internal and external stakeholders?
  - Is it accurate, reliable, valid, and verifiable?
  - Is it built on data that are available at reasonable cost, appropriate, and timely for the purpose?

The audit program provided steps to help auditors probe these criteria questions in depth for the five departments reviewed in detail. In summary, these steps were:

• Reviewing the department’s outcome report;
• Interviewing department staff responsible for preparing the “logic model” behind the outcomes and indicators and for reporting results;
• Where data collection has begun, reviewing methodology and testing data for accuracy;
• Interviewing a sample of the department’s customers.

For “desk review” departments, the audit program asked auditors to review all outcomes reported to identify, “Are departments measuring the right thing?” and “Do we have the right measure?”

_An Audit of Milwaukee County’s Annual Performance Report_, September 2002, is available from the county Web site (http://milwaukeecounty.org).

**Province of Alberta Auditor General** (www.oag.ab.ca): Provincial performance reporting is a legislated requirement in Alberta mandated by the 1995 Government Accountability Act. The government of Alberta publishes an annual report in two parts: “Consolidated Financial Statements” and “Measuring Up.” “Measuring Up,” which has been published for the past nine years, reports progress on core government performance measures by comparing actual performance results to...
desired results set out in the government’s business plan. Separate annual reports of each government ministry have performance information at a more detailed level.

The Office of the Auditor General (OAG) has been doing some degree of checking measures in “Measuring Up” since 1995 and in ministry reports since 1997. In the assurance approach it has used for “Measuring Up” since 2000, the OAG checks the core measures and supplemental information reported, and presents the results in a “Report from the Auditor General of Alberta to the Members of the Legislative Assembly on the Results of Applying Specified Auditing Procedures to Performance Information” which is included by the government in the published “Measuring Up.” The OAG’s current checking procedures include:

- For core measures:
  - Checking agreement of information from an external organization to reports from the organization;
  - Checking agreement of information from reports that originated within the government to source reports as well as testing the procedures used to compile the underlying data into the source reports;
  - Checking that the presentation of results is consistent with stated methodology;
  - Checking that results presented are compared with stated targets, and with information presented in prior years;
  - Checking that the core measures, as well as targets, agree to and include results for all of the measures presented in the government business plan.

- For supplemental information:
  - Checking the agreement of information to source documents;
  - Seeing that the supporting narrative is consistent with the information.

In its reports on the 2001, 2002, and 2003 “Measuring Up,” the auditor general stated that the procedures used do not constitute an audit, and that no exceptions were found in the measures. Before referring to its review of “Measuring Up” information as an “audit,” the OAG will want to increase its degree of control risk assessment and level of assurance in testing the information.

The OAG has developed a multistage strategy to eventually advance to a higher level of assurance concerning performance information. New assurance approaches are piloted on performance information in “Measuring Up,” and then considered for rollout to the ministry performance reports. Using this staged approach, which started in 2000 with “Measuring Up” and 2001 with ministry reports, the auditor general can keep ministries aware that their performance data must be relevant, reliable, understandable, and comparable to prior years, without discouraging their performance reporting, and can match the audit office’s capacity to do the work from year to year. OAG staff
devote approximately 2,000 hours per year to this practice for “Measuring Up,” and about 8,500 hours per year to checking ministry measures.

To guide ministries that will undergo audits of performance measures, the OAG also published a brief client service document with “tips” on preparing for and communicating with auditors conducting such audits.

The OAG carried out an assessment of the relevance and sufficiency of measures in the 2002 “Measuring Up.” This assessment will be updated based on the 2004 “Measuring Up,” as there have been recent significant changes in the form and nature of the government business plan. The next steps in the advance to an audit of “Measuring Up” include developing a proposal for an audit by OAG. Such a proposal would assess the readiness of management and auditors for an audit of the “Measuring Up” report, and obtain agreement on the criteria for an audit as well as the form and time lines for reporting.

Among relevant documents available on the Web are:

- The client service document Improving Communication Between You and the Auditors (Tips for Ministries on Audits of Performance Measures), April 2002, is available in the “Reading Room” of the Alberta OAG Web site (www.oag.ab.ca).

Province of British Columbia Auditor General (www.bcauditor.com/AuditorGeneral.htm): The Budget Transparency and Accountability Act passed by the Legislative Assembly of British Columbia (BC) in 2000 made clear the legislators’ desire for more meaningful and rigorous public scrutiny of government performance. The Act requires ministries, government organizations, and the government as a whole to provide three-year service plans and report annually on their performance against their plans. Before the Act was passed, from 1995-2000, the auditor general of British Columbia published several reports on government accountability, including three with the Province’s Deputy Ministers’ Council on “Enhancing Accountability for Performance” (see Practice 4b). Since the Act, to help ensure reported performance information is meaningful, the Office of the Auditor General (OAG) has been assessing the quality of performance reporting contained in the annual reports of the government’s ministries and Crown corporations. Through mid-2003, the OAG had published two multi-organization assessments of annual performance reports under the heading “Building Better Reports.” The 2001 OAG report covered 20 annual reports and the 2002 OAG report covered 40 annual reports encompassing all of the province’s ministries and its larger Crown corporations, and what the OAG referred to as “the leaders of government” — the government as a whole, the Office of the Premier, and the Ministry of Finance.
As the 2002-03 annual reports of ministries and Crown corporations became publicly available in July 2003, the OAG began a third multi-organization assessment of performance reports. Three to four OAG staff work on these activities on a regular, though not full-time, basis, spending about 3,000 staff-hours per year on this practice, including meeting with report preparers from each organization to assess results of OAG reviews with them.

In assessing performance reporting quality, the OAG uses a “learning model” approach that shows progress over four stages of development for incorporating good reporting principles: “Start-up,” “In Process,” “Fundamentals in Place,” and “Fully Incorporated.” The OAG developed eight assessment scales, in matrix form, describing detailed characteristics for each of the four developmental phases for the following eight principles of a good performance report:

- Explain the public purpose served;
- Link goals and results;
- Focus on the few, critical aspects of performance;
- Relate results to risk and capacity;
- Link resources, strategies, and results;
- Provide comparative information;
- Present credible information, fairly interpreted;
- Disclose the basis for key reporting judgments.

In early 2003 a steering committee representing government ministries, Crown corporations, and the OAG reached agreement on these eight performance-reporting principles, described in a March 2003 joint report of the government and the OAG. That report also includes self-assessment criteria that government organizations can use for assessing their own public reporting. The same report discusses “An Assurance Program for British Columbia” to be developed by the government and the OAG as performance reporting evolves. The OAG included the eight assessment scale matrices it uses in a “Guide” it published on its Web site titled Building Better Reports: Our Methodology for Assessing the Annual Service Plan Reports of Government. The assessment methodology is also included as an appendix in each report in the Building Better Reports series. In October 2003, the eight principles were endorsed by the BC Legislative Assembly’s Select Standing Committee on Public Accounts (PAC) “as a basis for service plan and annual service plan report guidance and assessment.” A November 2003 report of the government and the auditor general noted this endorsement, as well as the PAC’s encouragement of “the auditor general and government to revisit the principles at a future date to ensure that BC’s reporting principles continue to reflect good reporting practices in Canada and internationally.” The report also notes that the PAC went further, passing a resolution to encourage “Ministries and Crown Agencies to work towards the goal of incorporating into their contracts with non-ministerial service delivery agencies the eight principles.”
The OAG’s 2001-02 multi-organizational review was based on a set of seven reporting principles (with similar assessment scales), which essentially included all the above principles except for “explain the public purpose served.” The principles used in the review of the 2001-02 annual reports were derived from the work of the CCAF-FCVI (formerly the Canadian Comprehensive Auditing Foundation; see Quebec below for more on CCAF reporting principles). For the review of the 2002-03 annual reports, the specific principles and the detailed characteristics in each assessment scale were tailored to fit the BC public sector environment. In 2002, the auditor general also issued a separate assurance report on the 2001-02 performance report of the British Columbia Public Guardian and Trustee (PGT), following the same principles and methodologies as the 2001-02 multi-organizational review. The OAG’s PGT assessment did not include testing the accuracy of the data in the PGT report, and consequently did not offer assurance on the accuracy of the information reported, but did on the other reporting principles. In 2003, the auditor general again provided assurance on the performance report of the PGT, including an assessment of the relevance of the performance measures. The assessment of the PGT performance report used the same reporting principles as were used in the 2002-03 multi-organization review, and took about 650 staff hours to complete.

When the OAG has assessed an organization’s performance report, it has summarized its results in an assessment matrix that shows the development stage for each performance reporting principle assessed. In the 2001-02 assessment of 40 annual reports, the auditor general provided an “Overall Assessment” that “on average, government’s performance reporting overall and for each of the reporting principles is in the Start-up or In Process stage of development,” but also said that was to be expected, given that a new government had taken office during the reporting period and made new commitments and priorities, and that performance reporting under the Budget Transparency and Accountability Act was still new.

The following guides and reports, as well as other related documents, are available on the BC auditor general’s Web site (www.bcauditor.com/AuditorGeneral.htm):

- *Performance Reporting Principles for the British Columbia Public Sector: Principles Endorsed by Government, the Select Standing Committee on Public Accounts and the Auditor General of British Columbia*, November 2003
- *Reporting Principles and An Assurance Program for BC*, March 2003
- *Building Better Reports: Our Methodology for Assessing the Annual Service Plan Reports of Government*
- *Background to the Assurance Approach Used by the Auditor General in Relation to the 2001/2002 Performance Report of the Public Guardian and Trustee*


A “Report of the Auditor General of British Columbia on the Public Guardian and Trustee Performance Report” is in both the 2001-2002 and 2002-2003 Annual Reports of the Public Guardian and Trust. Both of these reports are accessible from PGT publications Web page (www.trustee.bc.ca/publicat.htm).

Province of Quebec, Vérificateur général (www.vgq.gouv.qc.ca or in English: Auditor General: www.vgq.gouv.qc.ca/HTML/Welcome.html). The Public Administration Act passed by the Quebec National Assembly in 2000 requires that departments and agencies prepare an annual management report and present it to the National Assembly, the first one at the end of fiscal year 2001-02. The auditor general determined that it was important that the content of performance reports be subject to an independent assessment, even if assessment was not mandated. In 2000-03 and 2003-06 strategic plans, the auditor general stated the intention of assessing the quality of annual management reports based on recognized principles for performance information reporting. In 2000-01, the auditor general’s office carried out two pilot projects with the cooperation of entities that already practiced management by results, the Public Retirement Service and a service that provides airplanes for government use.

In 2002-03 the auditor general audited the quality of the performance information published in the annual management report of 16 entities subject to the Public Administration Act. A team of five auditors dedicated to Public Administration Act activities spent six months full time auditing performance information quality. In their analysis, they looked for characteristics of performance information proposed by the CCAF-FCVI, based on the following nine reporting principles recommended by the CCAF-FCVI:

- Focus on the few critical aspects of performance;
- Look forward as well as back;
- Explain key risk considerations;
- Explain key capacity considerations;
- Explain other factors critical to performance;
- Integrate financial and nonfinancial information;
- Provide comparative information;
- Present credible information, fairly interpreted;
- Disclose the basis for reporting.
The first five principles provide guidance on what governments should report; the remaining four relate more to how governments should report it. The CCAF-FCVI also illustrates the application of these principles. The CCAF-FCVI supports each principle with a discussion of what it takes to put it into practice, strategies and approaches that have been used to do so, and the key indicators of progress from one level of application to the next. For example, the discussion of the principle that reporting should explain key risk considerations identifies five levels of practice from “nil” to “proactive.”

Selected findings of Quebec auditor general’s audits of the 16 reports include:

- 15 of the 16 reports contain a statement by the deputy minister or the director of the agency certifying the reliability of the data and the related controls;
- The absence of targets was a major flaw detected in 50 percent of the results analyzed;
- A major shortcoming in the management reports was insufficient inclusion of data seeking to promote the comparison of results with those of previous periods or of similar organizations.

Relevant English language documents available from the auditor general Web site (www.vgq.gouv.qc.ca) include:

- Strategic Plan 2003-2006 of the Auditor General
- Highlights of Annual Report for 2002-2003 (especially see Chapter 4: “Quality of Performance Information”)

Descriptions of relevant CCAF-FCVI publications, including Reporting Principles — Taking Public Performance Reporting to a New Level (December 2002, Executive Summary can be downloaded for free) are available from the CCAF-FCVI Web site (www.ccaf-fcvi.com).

**Saskatchewan Provincial Auditor** (www.auditor.sk.ca): In 1999, the government of Saskatchewan initiated a comprehensive government accountability project with one of its goals to report publicly on its results. The provincial auditor stated that government must follow sound reporting principles for its performance reports to be useful to the Legislative Assembly and the public. In 2000, government-wide reporting guidelines were mandated for Crown Corporations and in 2003 for departments. The Provincial Auditor’s Office follows principles developed by the CCAF-FCVI, listed under “Quebec” above, to assess government entities’ annual performance reports.

The Provincial Auditor’s Office is responsible for providing independent assurance of annual reports for government agencies each year, and spends about 1,000 staff hours per year on this practice.
They review 30 to 40 of the larger agencies’ annual reports, out of about 270 total agencies. Auditors use a verification checklist including questions relating to the information being collected for the measure including its relevance, reliability, and presentation. In a few instances the Provincial Auditor’s Office has assessed the quality of performance targets. The provincial auditor’s goal is to provide timely assurance to the Legislative Assembly of nonfinancial information in government agencies’ performance reports. For the year ended March 31, 2003, the Provincial Auditor’s Office evaluated the contents of all departmental annual reports and discussed the results with department officials. For each agency for which the Provincial Auditor’s Office has reportable matters, the Auditor’s Office prepares a separate chapter for the performance report. Their audits include assessing significant judgments made by management, and evaluating the overall presentation of performance information. The provincial auditor’s 2003 report to the Legislative Assembly summarized the results of annual performance reporting by government entities. Finally, the Provincial Auditor’s Office shares best practices with the primary authors of the performance reports (e.g., deputy ministers).

The Saskatchewan provincial auditor has participated in a broad effort by Canadian federal and provincial auditors to audit health indicators pursuant to a First Ministers’ Meeting Communiqué on Health in 2000. The provincial auditor found that the controls established by Saskatchewan Health, Health Canada, and the Canadian Institute of Health Information were not adequate to ensure that results in their Health Indicators Report were complete, accurate, and adequately disclosed. For the Health Indicators Report, the provincial auditor evaluated Saskatchewan Health’s information systems and found that the department had not evaluated the reliability of the systems to produce valid, accurate, and complete information. For example, the department did not know the error rate of the data produced by the systems. In 2002, the provincial auditor provided assurance regarding performance data for 61 health indicators in the Saskatchewan Comparable Health Indicators Report.

Practice 2c. Support external review processes to assess and improve performance information or reporting, or the performance basis for planning, budgeting, or other decision-making.

A potential future practice: No demonstrated examples have been found in this study for this practice. The first national external review process for state and local performance reporting is only now being developed by the Association of Government Accountants, in relation to the Governmental Accounting Standards Board’s recently issued “suggested criteria” for reporting performance information. So, auditors may well perform this practice in the future.
Figure 2-1

Approaches to Assessing Relevance: Answers to Questions by Audit Organizations Represented in Role 2

<table>
<thead>
<tr>
<th>Audit Organizations</th>
<th>1) Measures are aligned with mission, strategy, goals, or other performance expectations?</th>
<th>2) Measures represent a complete picture of past, current, and projected future performance?</th>
<th>3) Measures provide users/stakeholders with the performance information they need, on time, and in an understandable manner or format?</th>
<th>4) Measures can be used to benchmark, compare, or trend performance?</th>
<th>5) Approximately how many performance measures does your organization test for relevance each year?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberta, Auditor General</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>601</td>
<td>800</td>
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<tr>
<td>British Columbia, Auditor General</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>varies</td>
</tr>
<tr>
<td>Colorado Springs, City Auditor</td>
<td>X</td>
<td>X</td>
<td>(X)</td>
<td>66</td>
<td>varies</td>
</tr>
<tr>
<td>Florida, OPPAGA</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>varies</td>
<td>varies</td>
</tr>
<tr>
<td>Gwinnett County, Internal Audit</td>
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<td>X</td>
<td>40</td>
<td>varies</td>
</tr>
<tr>
<td>Kansas City, City Auditor</td>
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<td>X</td>
<td>40</td>
<td>varies</td>
</tr>
<tr>
<td>Louisiana, Legislative Auditor</td>
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<td>X</td>
<td>67</td>
<td>varies</td>
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<tr>
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<td>X</td>
<td>X</td>
<td>40-50</td>
<td>varies</td>
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<td>X</td>
<td>40-50</td>
<td>varies</td>
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<tr>
<td>Portland, City Auditor</td>
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<td>(X)</td>
<td>X</td>
<td>50</td>
<td>varies</td>
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<tr>
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<td>X</td>
<td>70</td>
<td>varies</td>
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<tr>
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<td>X</td>
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<td>Virginia, Auditor of Public Accounts</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>50-100</td>
<td>varies</td>
</tr>
</tbody>
</table>

Notes are comments added by audit organizations. Notes with Q2, Q3, etc. refer to that question, and may include that organization’s variation on the question. Other notes are more general comments.

1Alberta, Q2: Test for something similar.
2Alberta, Q5: Testing of Relevance: Testing of Relevance is more extensive the first time a measure is reviewed or when a new measure is introduced. In subsequent years, measures are reviewed to determine if any changes have occurred that would impact the assessment of relevance.
3British Columbia, Q3: It is similar. Thus far, we assess only understandability and timeliness.
4British Columbia, Q4: It is similar. We assess whether performance has been benchmarked on an overall basis, rather than measure-by-measure.
5Colorado Springs, Q2: Does the performance measure have potential significant decision-making or accountability implications?
6Colorado Springs, Q4: Does the organization have the ability to influence the performance measure?
7Gwinnett County, Q5: Two to three entire departments each year in addition to selecting three or four measures from each section within all departments each year.
8Maricopa County, Q2: After FY 2002, we stopped our efforts to review relevance and focused primarily on reliability. The subjectivity involved with relevance made it difficult to audit. The relevance issue started to take more time than we had allocated for both the relevance and reliability work. We may verbally suggest to county leadership that the relevance of their measures needs to be improved, but currently we report only on the accuracy of the measures.
9Portland City Auditor: We do not test measure relevancy every year unless services have had changes in missions, goals, objectives, or performance measures. If the measure is the same as previous years and the service has not changed, relevancy is generally not reviewed.
10Portland City Auditor, Q2: We test the most important measures of performance, not all of the measures. Measures also do not reflect “projected” performance.
11Virginia, Q3: Test for something similar.
### Figure 2-2

**Approaches to Assessing Reliability: Answers to Questions by Audit Organizations Represented in Role 2**

*Reliability: In testing reliability, does your audit organization determine whether:*

<table>
<thead>
<tr>
<th>Audit Organizations</th>
<th>6) Measures are correctly categorized? (Based on your entity’s categories, e.g., results, outcome, output, efficiency, demand, workload, input, cost.)</th>
<th>7) Measure definitions are adequate?</th>
<th>8) Data supporting the measures are accurate and complete?</th>
<th>9) Measures are consistent over several time periods?</th>
<th>10) Management controls over data are adequate?</th>
<th>11) Approximately how many performance measures does your organization test for reliability each year?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberta, Auditor General</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>400</td>
</tr>
<tr>
<td>Austin, Corporate Internal Audit</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>8 in FY 02-03</td>
</tr>
<tr>
<td>British Columbia, Auditor General</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>50</td>
</tr>
<tr>
<td>Colorado Springs, City Auditor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>66</td>
</tr>
<tr>
<td>Florida, OPPAGA</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>varies</td>
</tr>
<tr>
<td>Gwinnett County, Internal Audit</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>varies</td>
</tr>
<tr>
<td>Kansas City, City Auditor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>40</td>
</tr>
<tr>
<td>Louisiana, Legislative Auditor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>86</td>
</tr>
<tr>
<td>Maricopa County, Internal Audit</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>40-50</td>
</tr>
<tr>
<td>Milwaukee County, Dept. of Audit</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>varies</td>
</tr>
<tr>
<td>Nevada, Legislative Auditor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>varies</td>
</tr>
<tr>
<td>Phoenix, City Auditor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>100</td>
</tr>
<tr>
<td>Portland, City Auditor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>200+</td>
</tr>
<tr>
<td>Prince William County, Internal Audit</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>70</td>
</tr>
<tr>
<td>Saskatchewan, Auditor General</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>50</td>
</tr>
<tr>
<td>Texas, State Auditor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>100-300</td>
</tr>
<tr>
<td>Virginia, Auditor of Public Accounts</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>50-100</td>
</tr>
</tbody>
</table>

Notes are comments added by audit organizations. Notes with Q6, Q7, etc. refer to that question, and may include that organization’s variation on the question. Other notes are more general comments.

12 British Columbia, Q7: Test for something similar.
13 Colorado Springs, Q7: Does the performance measure faithfully represent what it purports to represent?
14 Colorado Springs, Q8: Is the performance measure verifiable and free from bias?
15 Gwinnett County, Q10: Two to three entire departments each year in addition to selecting three or four measures from each section within all departments each year.
16 Nevada, Q6: Test for something similar.
In playing Role 3, auditors work outside the traditional audit process (though some auditors consider this work to be audit projects) to develop relevant performance measures (Practice 3a) or collect data to assess performance (Practice 3b). In Practice 3a, auditors may either provide assistance in developing relevant indicators of an organization’s performance or actually develop the measures themselves using various sources to identify these indicators. In Practice 3b, auditors collect data in order to assess performance, including data on the perceptions and satisfaction of external or internal stakeholders of public services, and report the results.

**Summary of Role 3 Practices and Examples**

**Practice 3a: Provide advice on determining performance measures or performance expectations.** As sources for identifying performance measures, recommended measure revisions, or performance expectations, auditors often use measures or benchmarking data from other jurisdictions or professional organizations, as well as citizen input. The examples below reflect the various methods used by auditors to identify or help revise measures reported by departments in external documents. Audit offices may initiate the review of measures themselves or be asked by departments to help in conducting reviews of their measures.

- **The Palo Alto (p. 74),** California, city auditor worked with departments to select measures for external performance reporting from various sources, including the city’s Comprehensive Plan and Sustainability Task Force, performance measures from other jurisdictions, and benchmarking information from professional organizations.
- **The Portland (p. 75),** Oregon, city auditor sometimes identifies changes needed in measures during annual reviews done for preparing external performance reports, and other times works collaboratively with agency managers, on request, to help them identify measures.
- **Florida’s (p. 76)** Office of Program Policy Analysis and Government Accountability (OPPAGA) may recommend different performance measures during program evaluation
and justification reviews or special reviews of program performance measures. OPPAGA may comment on whether targets are too high or low, but will not recommend a specific target.

- In Kansas City (p. 76), Missouri, the city auditor has conducted special studies focusing on identifying performance measures for city agencies, which have included focus groups of users of agency services, and use of professional association comparative measures.
- The Metro (p. 77) auditor (of Portland metro regional government) has worked with an external consultant to develop benchmarking measures for four internal services.
- The Phoenix (p. 77), Arizona, city auditor has long helped improve performance measures, including 1991-95 efforts that used customer focus groups to help make departments’ measures more “results oriented” from the customer’s perspective.

**Practice 3b: Collect performance measurement data.** The four examples below involve auditors either conducting citizen and business surveys and focus groups themselves or serving as contract managers when these data collection methods are conducted by outside organizations.

- The Portland (p. 79), Oregon, city auditor directly administers annual citizen surveys by mail, collects other kinds of performance data from six comparator cities, and reports this information in the city’s annual Service Efforts and Accomplishments (SEA) Report.
- In Kansas City (p. 80), Missouri, the city auditor has commissioned citizen surveys since the mid-1990s to assess satisfaction with city services, perceptions of community condition, and priorities for future emphasis, including recent surveys in which the contractor has provided comparative results on survey questions from numerous other cities. In 2001, the auditor’s office commissioned focus groups to identify issues of interest to business owners.
- Since 1993 the Prince William County (p. 81), Virginia, internal auditor has been contract manager for the County’s Citizen Satisfaction Survey. Internal audit also screens the results for accuracy and coordinates changes to the question set.
- The Phoenix (p. 82), Arizona, City Auditor Department coordinates an internal customer satisfaction survey that determines how satisfied employees are with the services they receive from departments with whom they work.

**Full Examples of Role 3**

**Practice 3a. Provide advice on determining performance measures or performance expectations.**

**City of Palo Alto, California, City Auditor** (www.city.palo-alto.ca.us/auditor): The City Auditor’s Office spent considerable time with departments sorting through available data and reviewing performance for the city’s first Service Efforts and Accomplishments (SEA) Report (for 2001-02,
The Auditor’s Office selected measures and data for the SEA Report from several sources, including measures from the city’s adopted budget documents, community indicators in the city’s comprehensive plan, indicators from the city’s Sustainability Task Force, performance measures from other jurisdictions, and benchmarking information from the ICMA and other professional organizations. Relatively few performance measures were drawn from the budget as the city auditor did not find many of these measures relevant. (The City Budget Office is in the process of revising impact measures in the budget.) In Palo Alto, the city auditor’s role with respect to this practice has focused, to date, on selection of performance measures for public reporting, as opposed to development of measures for management or policy use, which is done by others and documented in the sources noted above. The second annual SEA Report, for 2002-03, was issued by the city auditor in January 2004.


Portland, Oregon, City Auditor (www.portlandonline.com/auditor): Since 1992, the City Auditor’s Office has sometimes become involved in identifying performance measures outside the traditional audit process, which may happen in one of two ways. First, in annual reviews of the relevance of service efforts and accomplishments (SEA) measures with city agencies, some needed changes in measures may be identified (see 2a). Second, by request, the Auditor’s Office will sometimes work with city agencies to identify or revise performance measures. These efforts usually do not involve issuing reports. In these cases, the auditors work collaboratively with agency managers, rather than do the work for them. The agency ultimately determines the performance measures it will report, what data to use, and how to use the information, leaving the City Auditor’s Office in an independent role for later auditing the information and the agency’s performance. The Auditor’s Office recently conducted two collaborations to help identify or revise measures, with the Bureau of Human Services and the Bureau of Development Services. The Development Services collaborative effort grew out of the findings and recommendations of an audit of the city’s development review process (see 1b).

The following reports are available as “publications” from the city auditor’s Web site (www.portlandonline.com/auditor) or as “audit reports” from the Audit Services Division home page (www.portlandonline.com/auditor/auditservices):

- Service Efforts and Accomplishments 2002-03, November 2003, as well as previous years’ Service Efforts and Accomplishments Reports.
Florida Office of Program Policy Analysis and Government Accountability (OPPAGA, www.oppaga.state.fl.us): In performance audits and evaluations (see 1a) and Program Evaluation and Justification Reviews (see 5c), and previously in special reviews of program performance measures (see 2a), OPPAGA would frequently recommend different performance measures for a program, but would not recommend a specific level or target. Upon request, OPPAGA comments on whether targeted levels set for existing measures appear too high or too low. For example, if program performance is not up to the targeted level approved in the budget process, OPPAGA will comment on whether the agency could be doing something differently, within their available resources, to achieve the target, or whether the target represents unrealistically high expectations, but OPPAGA would not then recommend what the specific target should be, leaving that for the agency and legislature.

Many OPPAGA reports related to performance budgeting and measurement are available at the OPPAGA Florida Monitor Web site (www.oppaga.state.fl.us).

Kansas City, Missouri, City Auditor (www.kcmo.org/auditor): The City Auditor’s Office occasionally conducts special studies focused on identifying performance measures for a city agency. “Special Reports” are issued on these projects, and the Auditor’s Office follows Government Auditing Standards in conducting these studies, but these are not typical performance audits as they are focused on how an agency should measure performance, rather than on how the agency is performing at that time. The City Auditor’s Office began this practice in 1998. A typical special study of this type takes about 750 staff hours to complete. Two such special reports were on the Parks and Recreation Department (March 2000) and the Information Technology Department (ITD, March 2001). In these projects, in addition to conducting literature reviews, examining existing performance measures, and interviewing agency management and staff, the Auditor’s Office conducted focus groups of users of these departments’ services and other relevant stakeholders. For the Parks and Recreation study, the Auditor’s Office conducted five focus groups with members of neighborhood associations, service organizations, and patrons of recreation services to identify types of information stakeholders would use to evaluate recreation services. For the ITD study, the Auditor’s Office conducted four focus groups with department executives, members of the city’s Information Technology Advisory Board and Information Policy Oversight Group, and general city users to identify types of information stakeholders would use to evaluate ITD. In another case, in 2001, when requested by the mayor to recommend performance measures for the city’s housing activities, the city auditor did not need to conduct a new study, but could draw upon an April 2000 special report and a July 2001 performance audit report, as well as other material such as city budgets and ICMA comparative performance measures. The city auditor used that information to prepare a memo to the mayor recommending 12 performance measures focusing on outputs and outcomes of the city’s housing efforts.
Relevant reports available from the city auditor’s Web site (www.kcmo.org/auditor) include:

- The special report *Parks Recreation Program Performance Measures*, March 2000
- The special report *IT Department Performance Measures*, March 2001
- The council memo (to mayor) *Housing Performance Measures*, September 2001

**Metro Auditor** (www.metro-region.org/auditor), **Portland, Oregon, metro area regional government**: The Metro Auditor’s Office worked with an external consultant to develop benchmarking measures for four internal services of the Metro government: Human Resources, Procurement and Purchasing, Accounting and Finance, and Information Technology. The consultant provided a detailed questionnaire to collect information on these business processes in Metro that was comparable to information available on the same processes in other government and private organizations. Four reports were issued in 1999 and 2000, one for each service. In those years, audit staff spent about 2,000 hours per year on these projects. The reports included analyses of benchmarking data, with graphics comparing Metro results with external organization averages for key benchmark indicators, and in some cases with “first quartile” results. Analysis-based recommendations to improve performance were included in the reports.

Reports available from the Metro Auditor Web site (www.metro-region.org/auditor) include:

- *Accounting and Finance Benchmarks and Opportunities*, January 2000
- *Information Technology Benchmarks and Opportunities*, December 1999
- *Human Resources Benchmarks and Opportunities*, July 1999
- *Purchasing Benchmarks and Opportunities*, May 1999

**Phoenix, Arizona, City Auditor Department** (www.phoenix.gov/AUDITOR): From 1990 to about 1995, the City Auditor Department played a major role in a significant revision of performance measures for all departments. In 1999, the Auditor Department led a citizen process that resulted in development of a set of publicly reported “organizational indicators” addressing services and issues of highest priority to citizens (see 5d). Between those years, and then since 1999, the City Auditor Department has mainly helped departments develop performance measures or evaluate performance (see 1a) by request. Much of their 1990-95 process is described here.

In 1990, the City Auditor Department worked with a few departments, using the Governmental Accounting Standards Board’s Service Efforts and Accomplishments (GASB SEA) framework of inputs, outputs, efficiency, and outcomes, to revise or develop performance measures of the results of operations. Initially auditors followed these four steps with a few departments:
Met with operating department managers to review existing performance indicators;
Contacted other city governments to determine what types of performance measures were being used elsewhere for the same services;
Conducted research of academic and private sector sources for measures of similar services;
Then presented a summary of potential indicators to department management. The department selected the indicators they felt were most relevant, and also practical with respect to the ability to collect data for regular monitoring.

While some of the initial departments found performance measures developed this way useful, the city manager and City Auditor Department were concerned with a lack of “ownership” by department managers, some of whom questioned the reason for the exercise. So in 1991, the City Auditor Department added an additional step to their process: gaining customer input. City Auditor Department staff began holding citizen focus groups to identify concerns and priorities related to the services of operating departments, to find out what results meant to them as customers of those services. This information was used as a means of identifying results-oriented measures from the customer’s point of view. (See 5d for more on these focus groups.) The Auditor Department was able to demonstrate to operating departments the usefulness of using measures more likely than their current measures to contribute to citizen satisfaction.

The City Auditor Department continued working with several departments a year on the process of revising performance measures from 1991-95, until all 25 city departments had been through a performance measurement review. In that period, a citizen or customer focus group was held near the start of most departments’ reviews so measurement development would proceed from the perspective of citizen expectations. For a few departments that did not serve citizens directly, or in cases where it was difficult to get a group of customers together, focus groups with frontline employees, instead of citizens, were used to get a more “hands on” perspective on performance than management might have. One citywide change that emerged from the focus groups was a simplification of the city’s measurement framework, at least for external reporting. Instead of the GASB SEA categories of performance measures, Phoenix shifted its focus to measures of satisfaction, cost, cycle time, or mission, which were aspects of performance citizens most identified with “results.” As was the case in 1990, the City Auditor Department did not decide what measures departments would monitor and report. As before, auditors presented department managers with a list of potential measures based on their research, but with focus group findings used as a key source for deciding which measures to suggest to departments. As before, department managers, not the auditors, would select the specific new or revised measures they would use. For new or significantly revised measures, the City Auditor Department collected data for an initial period to establish a baseline for comparison, and to determine if practical, reliable data collection was possible for the measure.
Chapter II-3: Role 3 — Developing Performance Measures or Measuring Performance

The City Manager Executive Report is available from the Web pages of the city manager (http://phoenix.gov/CITYGOV/citymgr.html) and City Auditor (http://phoenix.gov/AUDITOR).

Practice 3b. Collect performance measurement data.

Portland, Oregon, City Auditor (www.portlandonline.com/auditor): Since 1991, the City Auditor’s Office has conducted an annual citizen survey, the results of which are reported in the city’s annual Service Efforts and Accomplishments Report (SEA Report, see 5b). The citizen survey covers satisfaction with major city services and perceptions of “livability,” traffic congestion, feelings of safety walking in neighborhoods and downtown, and other community conditions. This is an annual mail survey, with well-established procedures to determine targeted sample sizes of responses by geographic district, and conduct later analyses to see if adjustments are in order based on differential responses by district or major demographic groups. No adjustments were made to the 2003 survey results, because while there were differential response rates, prior year and current year analyses indicated that possible adjustments were not considered likely to make significant differences in results. In 2003, the Auditor’s Office mailed 13,700 questionnaires asking over 70 questions, and, with the help of a reminder mailing, received 5,374 responses from city residents, for a response rate of 39 percent. This sample size produced results considered precise within ±1 percent for the city as a whole, and within ±4 percent for the eight geographic districts for which there were smaller samples, both at a 95 percent confidence level. The survey questionnaire, a description of survey methodology, and tables of survey results, citywide and by district, are included in an appendix to the 2003 SEA Report. In addition to the annual citizen survey, the Auditor’s Office annually collects performance data from six comparator cities for selected performance measures, and reports these comparisons with Portland results in the SEA Report. Most of the intercity information is obtained from the annual budgets, Comprehensive Annual Financial Reports, and other internal records. The Auditor’s Office also contacts personnel in each city to clarify and verify certain data. In 2003, the Auditor’s Office conducted its first survey of businesses to obtain business owners’ and managers’ perceptions of Portland conditions and city services that may affect their business, with results published in May 2003. It was done as a mail survey modeled on the citizen survey. Questionnaires were mailed to 4,800 businesses drawn randomly from the city’s Bureau of Licenses business license database. A total of 2,037 businesses responded, for a response rate of 42 percent and a margin of error of ±2 percent (citywide, at 95 percent confidence level). The city auditor intends to do the business survey regularly to complement the citizen survey.

The following reports are available as “publications” from the city auditor’s Web site (www.portlandonline.com/auditor) or as “audit reports” from the Audit Services Division home page (www.portlandonline.com/auditor/auditservices):
- Service Efforts and Accomplishments 2002-03, November 2003, as well as previous years’ Service Efforts and Accomplishments reports, each with 10 years of citizen survey results

Kansas City, Missouri, City Auditor (www.kcmo.org/auditor): With the assistance of professional survey and market research firms, the City Auditor’s Office has collected data from citizens in general and from owners and managers of businesses in Kansas City on satisfaction with city services, perceptions of community conditions, and priorities for future emphasis. Data collected on general citizen perceptions has focused on such things as how citizens rate Kansas City as a place to live, raise children, and work, and perceptions of specific conditions such as the cleanliness of streets and how safe they feel at day and night in their homes, in their neighborhoods, and in city parks. Information gathered on perceptions of business owners and managers has focused more on Kansas City as a place to do business. In addition to perceptions of quality of life and satisfaction with specific services and services overall, in 2000, 2001, and 2002 citizens were asked about such things as their overall image of the city, value received for city taxes and fees, how well the city was planning for growth, the quality of the city’s leadership, and the effectiveness of city communication with the public.

The Auditor’s Office has commissioned citizen surveys a number of times since the mid-1990s, with surveys done in consecutive years from 2000 through 2002. The Auditor’s Office devotes an average of about 950 staff hours to a citizen survey project. Through the 2001 survey, the city auditor issued survey results in separate special reports. The 2001 survey results were also included in the fiscal 2001 City Services Performance Report (see 5b). The 2002 survey results were included in the fiscal 2002 City Services Performance Report, and not reported on separately. In 1999, the City Auditor’s Office conducted a survey of business owners and managers. The citizen surveys and the business survey were phone surveys. The 1999 business survey, with 400 respondents, had a margin of error of ±5 percent, and the 2002 citizen survey, with 1,200 respondents had a margin of error of ±3 percent, both at the 95 percent confidence level. While results were only reported citywide, calls were placed to get 200 households responding from each of the city’s six council districts, to help achieve a representative sample.

In 2001, a series of four focus groups were held with business owners and managers. The 2001 focus groups, while not providing statistically precise data as surveys can, provided more in-depth information about issues of interest to business owners. For example, they were asked to provide examples of positive and negative experiences with specific services in Kansas City, Missouri, and to brainstorm a list of aspects of each service discussed that affect their overall satisfaction with the service. The 1999 business survey was used both to construct the samples for the four 2001
focus groups (to form groups of small and large businesses that had indicated satisfaction and dissatisfaction with the overall quality of city services), and to determine the services to be discussed in the focus groups. The 2001 focus group discussions focused on six major types of services identified as most important to Kansas City businesses in the 1999 business survey.

In the annual citizen surveys from 2000 through 2002 commissioned by the City Auditor’s Office, many questions asked were the same as questions asked by the same survey research firm in 18 other communities in the Kansas City metropolitan area, and in other comparably sized cities in the Midwest. Also, the respondent rating scale was changed from four points to five points so Kansas City results would be comparable to those in other communities. That allowed the City Auditor’s Office to report benchmarking data on citizen satisfaction and perceptions, showing clearly how Kansas City residents’ views of their city and its services compared with other people’s views of their own communities (see 5b).

The following reports are available from the city auditor’s Web site (www.kcmo.org/auditor):

- Survey of Kansas City Businesses, February 2000
- Kansas City Citizen Survey, April 2000
- 2000 Kansas City Citizen Survey, November 2000
- City Services Performance Report for Fiscal Year 2001 & Survey, March 2002
- 2001 Business Focus Group Report, March 2002
- City Services Performance Report for Fiscal Year 2002, March 2003

**Prince William County, Virginia, Internal Audit** (within the County Office of Executive Management: www.pwegov.org/oem): Since 1993, the internal auditor has acted as contract manager and the primary point of contact between the county and the contractor for the annual Prince William County Citizen Satisfaction Survey. As contract manager, the audit office screens the results to see if the information appears accurate, and coordinates changes to the question set within the county government. Generally, internal audit staff devote about 150 hours per year to this practice. The contractor, the University of Virginia (UVA) Center for Survey Research, is responsible for testing and fielding the survey, analyzing results, preparing the report, and presenting the report in a public session. The surveys are conducted by telephone, using random-digit dialing to households in the county. The 2003 survey was based on a random sample of 1,484 respondents, for a county-wide margin of error of ±2.5% (at a 95% confidence level). In past surveys, rural areas had margins of error as high as ±10%. So for 2003, rural areas were over-sampled with the intent of keeping the margin of error for all eight county geographic areas of analysis down close to ±3%. To compensate for over-sampling, UVA used statistical weighting by geographic area to determine county-wide results.
New survey questions come from two sources: the county’s strategic planning process and agency requests. Every four years, when, by ordinance, the county engages in a major update of its strategic plan, part of the process involves strategic area task forces composed of citizens and staff who identify desired measurable outcomes. Often these outcomes relate to citizen satisfaction and must be measured through the Citizen Satisfaction Survey. Also, annually in preparation for the survey, internal audit notifies agencies of the upcoming survey and provides them with an opportunity to add questions. However, agencies are told that they have limited space available in the survey, so only critical questions should be submitted. The county executive must approve new questions.

When the UVA Center for Survey Research analyzes the survey data, they conduct a subgroup analysis. In the subgroup analysis they look for statistically significant variances for each question in any of 11 types of demographic subgroups: geographic area, length of residence, homeowner status, work status, presence of children under 18 in the household, education level, marital status, household income, race/ethnicity, age, and gender.

The survey report is first presented to the Board of County Supervisors by the Center for Survey Research during a public board meeting (usually in August). The survey results are also reported by agency in the county’s budget and the results are reported in the SEA Report. Also, a copy of the complete report is available to the public on the county’s Web site (Office of Executive Management pages). Report appendices contain the survey questions, and the survey methodology. A presentation of the report is also made to county senior management shortly after the report to the board. What to do about results are discussed during budget meetings, internal SEA focus group meetings, and the senior management presentation. Also, such a discussion may come up during the board presentation or informally after the meeting.

Relevant publications available from the County Office of Executive Management Web site (www.pwcgov.org/oem) include:

- FY 2003 Citizen Satisfaction Survey, August 2003

**Phoenix, Arizona, City Auditor Department** (http://phoenix.gov/AUDITOR): The City Auditor Department coordinates an Internal Services Customer Satisfaction Survey. The survey seeks to determine how satisfied employees are with the service they receive from departments with whom they work. An outside company conducted surveys in 1998, 2000, and 2002. Audit staff spent an average of about 100 hours in each of those years on the internal survey project.
The survey is developed around sections or divisions of departments, not specific services provided by departments to employees. The following departments are included: City Auditor, Law, City Clerk, Personnel, Public Works, Information Technology, Budget and Research, Parks and Recreation, Equal Opportunity, Finance, and Engineering and Architecture. The department divisions and sections included have changed over the years. The survey in 2002 covered 41 divisions and sections. This phone survey traditionally lasts about seven to 15 minutes, depending on how many services the respondent has used or been exposed to in the past two years. The surveyor only asks the respondent to rate the services he or she has used.

The 2000 survey sample consisted of 400 employees, broken into four groups based upon personnel classifications: Executives/Mid-managers, Professional/Police Supervisory, Office Clerical/Confidential/Class I & II, and Public Safety (Police/Fire). The survey administrator randomly picks 100 employees from each group. The response rate is 100%, or a total of 400. The margin of error is ±2 percent. Only the city manager and the City Auditor Department receive complete survey results on all departments covered. Department heads get results only for their department. The results are customized for each department with a cover memo, summary level results, prior survey comparisons for individual sections or divisions, and bar graphs with comparisons to city averages.
CHAPTER II-4

ROLE 4

PLANNING, DESIGNING, IMPROVING, OR ADVOCATING FOR PERFORMANCE MANAGEMENT SYSTEMS AND THEIR USE

In Role 4, auditors encourage or assist managers and other internal stakeholders in developing or improving one or more of an organization’s performance management systems or the managing-for-results processes that depend on them. Assistance may include advising in designing, purchasing, improving, or maintaining the performance management systems and the managing for results processes. In providing assistance, auditors may work alone or serve on a team with management representatives. Other assistance practices include training internal stakeholders to develop or use performance measurement systems or their components; ensuring adequate system controls; and providing analyses or interpretations of performance information.

Summary of Role 4 Practices and Examples

Practice 4a: Encourage management to develop and implement performance management systems. Practice 4a describes examples where auditors provide guidance and encouragement to develop or improve performance management and accountability. In addition to the four examples included here that have involved written products, we have been told of many informal efforts by auditors to encourage managers to develop or improve performance-based systems.

- In the first example, the auditor encouraged management to adopt an entity-wide managing-for-results process, including linking performance management systems:
  - In Portland (p. 87), Oregon, the city auditor recently completed an entity-wide study of performance management practices, including the extent of use of performance information in planning, budgeting, managing, and public reporting.
- In the next three examples, auditors prepare and make guidance materials available to encourage management to improve performance measurement and accountability, in these cases all with Web-based documentation for ease of access:
  - The Province of Alberta (p. 88) auditor general provides guidance and encouragement to its ministries and other government entities to improve performance measurement
and accountability. The auditor general publishes guidance materials, including a
government accountability publication and best practices guidelines.

- The Texas (p. 89) State Auditor’s Office has developed methodology manuals that
  are available online for use by state agencies. Using the performance measurement
  methodology manual, state agencies assess their own performance measurement
  systems.

- The Florida (p. 90) Office of Program Policy Analysis and Government Accountability
  provides online access to a best practice self-assessment instrument for Florida school
  districts to assess their business practices, including performance accountability
  practices.

**Practice 4b: Assist management in designing, improving, or maintaining performance
management systems, or build the capacity of management to do so.** In Practice 4b, two
sets of examples are presented where auditors assist in designing, developing, implementing, or
improving all or parts of a performance management system.

- In the first three examples, auditors have assisted individually or in teams to help design or
  implement all or parts of performance management systems with managing-for-results
  linkages such as linkages to planning or budgeting:

  - In Milwaukee County (p. 91), Wisconsin, the county auditor participated in an
    Outcomes-based Measurement Design Team to link department and division results
    to the budget process. The design team developed an implementation plan calling for
    a county-wide performance report and its subsequent audit by the county auditor.

  - The Portland (p. 91), Oregon, city auditor has been advising management on ways
    to design a more coherent entity-wide system to manage for results. In this new
    managing for results process, all measures developed and reported by city bureaus
    will be subject to review by the city auditor’s office.

  - The Austin (p. 92), Texas, city auditor had been involved in providing training and
    assistance to city management since the mid-1980s. Most recently auditors have
    helped to further the city’s managing-for-results efforts by serving on a team with city
    management staff to review departmental business plans.

- In the next five examples, auditors have assisted individually or in teams to help develop or
  improve performance measures, measurement systems, or performance reports:

  - The West Palm Beach (p. 94), Florida, Auditor’s Office provides assistance to
    departments through training and developing measures to track improvements in areas
    where the departments are addressing challenges.

  - In Gwinnett County (p. 94), Georgia, the Internal Audit Office has been part of a
    committee to develop the county’s performance measures and measurement system.
Department representatives on the committee worked with internal audit to develop a way to collect and report performance information.

- In Phoenix (p. 96), Arizona, the City Auditor Department has provided both formal and informal assistance in helping departments make performance measures more results-oriented and responsive to citizen perspectives, and has helped city management improve public performance reports, including improving the graphic appearance for public reporting on the Web.

- In British Columbia (p. 97) the auditor general has often worked in an advisory capacity or in joint efforts with management on ways to improve performance management practices and accountability, including development of performance reporting principles and an “assurance program” for British Columbia.

- In Saskatchewan (p. 98) the auditor general has worked with a team to help the regional health authorities develop program performance indicators and self-assessment tools so that government departments can gauge their progress in adopting managing-for-results systems and practices.

Full Examples of Role 4

Practice 4a. Encourage management to develop and implement performance management systems.

An example of encouraging management to adopt an entity-wide managing-for-results process:

Portland, Oregon, City Auditor (www.portlandonline.com/auditor): The City Auditor’s Office has often played a role of encouraging management of city agencies to develop or improve performance management. This has sometimes been done as part of performance audit projects that have resulted in recommendations to improve performance measurement and how it is used by a particular agency, including some projects that have focused entirely on an agency’s management systems or performance measures (see 1b). In other cases, the City Auditor’s Office has performed this role informally, through discussions with managers, sometimes after an audit, on how they can improve agency performance management. In 2002, the City Auditor’s Office conducted its first entity-wide study of performance management practices, from the mayor and City Council down, including the extent of use of performance information in planning, budgeting, managing, and public reporting, resulting in a December 2002 report Managing for Results: A Proposal for the City of Portland. As well as examining existing city of Portland practices, the report provides an historical context of performance management practices in Portland since the 1970s, and a national context of increasing use of results-oriented practices in government and
examples of leading performance management practices from other state and local governments. A chapter of that report described existing city of Portland performance management strengths (financial management, citizen involvement, public reporting, evaluation and audit) and weaknesses (city missions and goals, performance measurement framework, aspects of the budget process, using performance measurement), and provided a proposal to implement an integrated managing for results process in Portland that builds on existing strengths. The proposal includes roles and responsibilities for the City Council, the Office of Management and Finance, city bureaus (Portland’s service operating departments), and the City Auditor’s Office. In Portland, City Council members are not only legislators, they also play executive roles as “commissioners” (their actual elected title) with one or more city bureaus reporting to them, so this report is as much encouragement to management as it is to elected officials (see 5a) to develop a full managing-for-results cycle in the city of Portland. The city auditor is separately elected, so is independent of management.

Managing for Results: A Proposal for the City of Portland, December 2002, is available as a “publication” from the city auditor’s Web site (www.portlandonline.com/auditor) or an “audit report” from the Audit Services Division page (www.portlandonline.com/auditor/auditservices)

Three examples of guidance materials prepared and made available to management online, to encourage improved performance measurement and accountability:

Province of Alberta, Canada, Auditor General (www.oag.ab.ca): As the Office of the Auditor General (OAG) has gained experience in performance measurement and reviewing the quality of performance reports of provincial entities (see 2b), the OAG has sought to provide guidance and encouragement to ministries and other Province of Alberta government entities to improve performance measurement and accountability. The OAG has been producing performance measurement-related guidance at least since its 1994 publication of the document Government Accountability, updated in 1997. The 1997 version of Government Accountability on the OAG’s Web site contains “Guidelines for Accountability,” including, for example, that “expected results need to be clearly expressed and must be measurable” and “accountability reports should link information on the costs of outputs with information on their effects.” To guide provincial government organizations in integrating cost and performance analysis, in 2002 the OAG published best practices guidelines for integrated results analysis, including references to “good examples” from New Zealand and Canada. Other reports to assist provincial government organizations include a 1998 guidance document on conducting client satisfaction surveys.

For documents referenced above: From www.oag.ab.ca click on “Reading Room” and scroll for:

Texas State Auditor (www.sao.state.tx.us): In 1993 the Texas State Auditor’s Office (SAO) developed a key accountability control system model to assess the systems an organization uses to ensure that what should happen does happen, documented in the Guide listed below. In alignment with the Yellow Book, the SAO defined accountability controls as those established by management to provide reasonable assurance that: goals are met; assets are safeguarded and efficiently used; reliable data are reported; and laws and regulations are complied with. One of the five accountability control systems identified in the model was performance management. The performance management system was divided into two subsections:

- Controls designed to ensure that programs and operations are evaluated to determine whether the agency is meeting goals (effectiveness) within a reasonable expenditure of resources (efficiency) and that adjustments are made as needed;
- Controls designed to ensure that progress toward achievement of objectives is routinely and accurately measured.

The SAO developed a set of questions for each control system that allowed agencies to evaluate on their own their level of perceived risk. In assessing the risk of the Performance Management Control System, for example, the questionnaire listed various performance management related items that were to be ranked on a scale of 1 (low risk) to 4 (high risk). Examples of questions included:

- Does management act on performance measure results appropriately and in a timely manner?
- Do measures relate directly to the activity’s objectives, plans, and goals?
- Are results fed back into the planning process so that corrective action may be taken?

As part of an audit methodology project begun in 1993, the SAO developed methodology modules that supported the accountability control system model by providing more detailed information on how to audit the systems identified in the model. The SAO estimates that it has taken about 100 staff hours to develop each module. Methodology manuals, available online for use by state agencies, provide guidance on reviewing criteria, assessing conditions, determining causes, determining effect, and developing recommendations. An internal auditor in one state agency found that the methodology modules were useful for documenting criteria for findings and to train new auditors. Another internal auditor used the criteria in the modules as a framework for a process reengineering project.
Using the methodology module on performance measurement, state entities (departments, divisions, programs) can conduct a self-assessment of their performance measurement systems to determine whether progress toward achieving objectives is routinely and accurately measured and the information is used to improve performance. The module provides criteria specific to the performance measurement process. For example, the module states that a well-designed performance measurement system:

- Is a communication tool that facilitates alignment of effort and initiative with entity strategy;
- Measures important business processes, not just results;
- Has an integrated set of measures that are balanced in their application; and has externally benchmarked measures.

In addition to providing the accountability control system guide and methodology manual on its Web site, the SAO includes recommendations for improving agency performance measures, performance reports, measurement systems, and system controls in audit reports, including performance measurement certification audit reports (see Practice 2b). The SAO also provides state entities a Guide to Performance Measure Management on its Web site, and conducts classes on performance measurement through its External Education Services department.

The following documents are available from the Texas SAO Web site (www.sao.state.tx.us):

- Various “reports” of audits of performance measures of state entities
- *Methodology Manual*, a “resource” that includes the performance measurement module
- *Guide to Performance Measures Management*, a “resource”

**Florida Office of Program Policy Analysis and Government Accountability (OPPAGA, www.oppaga.state.fl.us):** OPPAGA attempts to promote management best practices for Florida school districts, related to the “Best Financial Management Practices Reviews” of local school districts that OPPAGA and the Florida auditor general conduct, under the Florida Sharpening the Pencil Act (described in detail under Practice 1b). OPPAGA and the auditor general developed a set of “best practices and indicators” for school districts, including, among other things, best practices for “Performance Accountability Systems” (see 1b). For school district managers, OPPAGA provides online access to a “Self-assessment Instrument” to use to determine whether their school district is using the best practices, including the best practices for performance accountability. The instrument is accessible from OPPAGA’s Web site.
The following are available from OPPAGA’s Florida Monitor Web site (www.oppaga.state.fl.us):

- Information on School District Reviews and the Florida Sharpening the Pencil Act
- Best Practices and Indicators
- Self-assessment Instrument for Florida school districts

**Practice 4b. Assist management in designing, improving, or maintaining performance management systems, or build the capacity of management to do so.**

*Three examples involving assisting with all or parts of performance management systems with managing-for-results linkages such as linkages to planning or budgeting:*

**Milwaukee County, Wisconsin, Department of Audit** (from http://milwaukeecounty.org click on “Directory” then on “Audit, Department of”): In 1999, the county auditor participated in an Outcomes Based Measurement Design Team. The design team was created as a result of a belief by Milwaukee County’s Long Range Strategic Plan Steering Committee that the time was ripe for Milwaukee County to adopt a result-oriented approach to governing. One of the driving forces behind this effort was the need to link department and division results to the county’s budget process. To guide Milwaukee County’s transition to an outcome and performance measurement system by 2002, the design team devoted 300 staff hours per year from 1999-2001, and developed guiding principles, an implementation plan, a glossary, a logic model, and a template for reporting outcomes, indicators, and targets. The implementation plan called for establishing commitment and providing training for key county leaders and staff, establishing outcomes, developing performance measures and data collection plans, and making a connection between performance and budgeting. In addition, the plan called for a county-wide performance report based on the performance reports submitted by departments, divisions, offices, and agencies. The plan also called for the auditor’s office to submit an audit of the county-wide performance report to the county board (see 2b).

**Portland, Oregon, City Auditor** (www.portlandonline.com/auditor): Since 1992, the City Auditor’s Office has, from time to time, provided technical assistance to city agencies to help them improve aspects of performance measurement and management, including improving performance measures (see 3a). More recently, since issuing its December 2002 managing-for-results recommendations (see 4a), the City Auditor’s Office has been advising city management officials on ways to design a more coherent entity-wide system to manage for results. For example, the City Auditor’s Office has been advising the Office of Management and Finance (under the mayor) on ways to develop guidelines intended to create alignment among citywide and agency goals and objectives, agency and program performance measures in the budget, and service efforts and accomplishments (SEA)
measures reported to the public in annual SEA performance reports (see 5b). The Auditor’s Office will also provide performance measurement training to support implementation of the new managing for results process. The Auditor’s Office is coordinating with the Office of Management and Finance to ensure the training will align with and support program budgeting goals and requirements. At the same time, the city’s Planning Bureau is developing a high-level strategic planning process for the city government, which will result in a citywide mission and goals set by the mayor and City Council. The director of audit services (from the City Auditor’s Office), the head of the Division of Financial Planning (from Management and Finance), and the assistant to the director of the Planning Bureau have been meeting from time to time to coordinate the three office’s efforts in developing the new managing for results process.

In the new process, all performance measures — whether in the SEA Report, the budget, or separately reported by agencies — will be aligned with agency and city goals (increasing relevance), and compiled in more uniform ways for better data management (increasing reliability). All measures developed and reported by city bureaus will be subject to review by the City Auditor’s Office, which will devise an approach for determining which measures to test each year. The plan is to make fiscal 2005 a transition year, emphasizing strategic planning and development of new goals and measures, and to have the new process fully in place for fiscal 2006. The intentions of the new process are:

- For relevant, reliable performance information from all agencies, and on a citywide strategic level, to be reported to decision makers at the front end of the budget process each year;
- For agency managers to use performance information to improve operations and achieve desired results;
- For public performance reports to report results consistent with measures used for planning and budgeting;
- For the audit and evaluation function to become more efficient and effective due to the availability of more relevant, reliable performance information.

The following reports are available as “publications” from the city auditor’s Web site (www.portlandonline.com/auditor) or as “audit reports” from the Audit Services Division home page (www.portlandonline.com/auditor/auditservices):

- *Managing for Results: A Proposal for the City of Portland*, December 2002
- *Service Efforts and Accomplishments for Fiscal Year 2002-03*, November 2003, and earlier years’ *Service Efforts and Accomplishments* reports.

**Austin Texas, City Auditor** (www.ci.austin.tx.us/auditor): In 1985, when the Austin City Auditor’s Office initiated performance auditing, it began training managers on the development and use of
performance measures. The City Auditor’s Office continued training managers in performance measurement through 2002, and in those years devoted an average of 1,200 hours per year of audit staff time to this practice. By 1997 the Auditor’s Office was formally partnering with management to provide model guidelines, criteria summaries, and suggestions to the Budget Office for use in preparing instructions to departments for the shift in 1997 to a performance based budget. The Auditor’s Office also worked with Budget Office staff to develop a written set of questions for a checklist to review fiscal 1997 program performance measures proposed by departments, and made audit staff available to provide assistance.

That same year, the Auditor’s Office provided input to the Human Resource Department’s organizational development staff in improving guidance to departments on integrating strategic business planning with performance measurement and other management practices. Then they provided input to the assistant to the city manager regarding the need to clarify corporate strategic direction through the consistent focus and monitoring of long-term and short-term indicators of the city’s corporate priorities. These efforts facilitated citywide and departmental initiatives to develop performance management systems, which eventually were incorporated into the city’s formal Managing for Results/Business Planning initiative that began in 1999.

In 1999, the Austin City Auditor’s Office increased its level of performance measurement-related partnering with management when the city reinvented its performance measurement system as a key component in managing-for-results. Through an intensive business planning process, city departments defined their programs to align their basic business units (activities) with the city’s vision, and defined measures and program budgets accordingly. The Auditor’s Office first worked with management to develop business-planning guidelines through an “editorial board” of representatives from city departments. Two auditor’s office staff then served as equal partners with city management staff on the Corporate Business Planning Team that reviewed all departments’ plans. The business plans were first reviewed for alignment among mission, goals, objectives, and the business units associated with them. The alignment review extended to how well the business units were tied into the accounting system so that cost could be aggregated at an appropriate level for performance measurement. A second review focused on the relevance and completeness of each activity’s family of measures. Suggestions were made by the corporate team to add, delete, or revise measures. Since the city auditor reports to the City Council, the audit staff on this team reviewed the measures with the needs of external stakeholders in mind. The Auditor’s Office found that working with management in a proactive role was preferable to auditing the performance measures after they were developed and having to recommend after measurement had already started that the measures be improved. Now, when auditing a program or activity, there is a reasonable assurance that the measures being audited are, at least, relevant.
In 2002, the City Auditor’s Office trained the city’s Health and Human Services Department managers on using performance measurement data as part of a performance accountability system. This two-day training program provided trainees with multiple examples and hands-on exercises that showed trainees how performance measurement data can be used for management and budgetary decision-making, and for strategic and short-term planning.

Five examples involving assistance developing performance measures or performance reports:

**West Palm Beach, Florida, Internal Audit** (www.cityofwpb.com/audit): In 2000, the city of West Palm Beach decided to expand the internal audit consulting function by adding a management analyst position. The analyst spends about 600 to 800 hours per year helping departments to develop or improve performance measurement. One of the departments assisted to date by the management analyst has been Construction Services. Early project steps included providing an orientation to performance measurement for Construction Services department staff. Another early step was to ask building contractors, developers, and other department customers what was important to them about the department’s work. These were members of an existing Construction Services customer group. Department volunteers were then recruited to staff a working group within the department to develop performance measures. All occupations in the department were included in the working group. These individuals received more detailed performance measurement training. In developing measures, the task group also talked about challenges in the department and what the department was doing to address them. Measures were developed to track improvements in areas where they were addressing challenges. Explanations of how they are doing on these initiatives can be found in the narrative section of the budget. Internal audit assists the department management in examining these initiatives to see what impact they are having on measured performance.

**Gwinnett County, Georgia, Internal Audit** (from www.gwinnettc county.com click on “Departments,” then “County Administrator,” then “Internal Audit”): The Gwinnett County Performance Measurement Project began in 1996 as a performance measurement committee of staff from various county departments. The original committee had representatives from five departments: Public Utilities, Transportation, Police, Finance, and Human Resources. Committee members changed several times during the two-year process followed to develop measures for all departments that report to the county administrator. The department representatives on the committee worked with the Office of Internal Audit to develop a way to collect and report performance information on the work performed by Gwinnett County. The process of developing lists of measures to be reported began with a template for each department. The templates were created by internal audit based, in part, upon research of how other jurisdictions measure their performance as well as from suggestions from the performance measurement committee. The
Office of Internal Audit assisted departments during this time by providing guidance on selecting the most appropriate measures. Guidance also came in the form of helping departments sort out which measures belonged in which category (e.g., inputs, outputs).

In 1998, two pilot programs were selected for the initial development of performance measures: the Department of Police Services and the Employment Section of the Department of Human Resources. One full-time person — about 4,160 staff hours over two years — was dedicated to this practice for the initial development phase. The pilot programs were used to develop the process that would later be used to work with each department. The Performance Measurement Committee served as an outside review team to provide constructive feedback to the departments. The process developed and used with each department consisted of the following steps:

- A departmental committee was formed consisting of key management staff from each operational area.
- The performance analysis manager who chaired the committee held an initial workshop with the departmental committee to discuss what performance measurement is, and why the county was developing measures.
- The committee chair conducted management interviews within each operational area to get a better idea of the services performed and then developed a set of very rough draft performance measures. These measures were developed to give the committee members an idea of what some measures could potentially be. This approach worked better than the initial approach of starting the discussion with a blank slate.
- A second meeting was held to develop a rough draft set of measures using the draft measures that the committee chair developed as a starting point.
- The draft measures were compiled and distributed to the departmental committee members to review prior to the third meeting, which was used to finalize the draft measures.
- After a consensus was reached within the department on the draft measures, a meeting was held with the Performance Measurement Committee to get outside feedback.
- Finally, a fourth meeting was held with the departmental committee to discuss the Performance Measurement Committee’s comments and to reach final agreement on the performance measures.

The process resulted in the initial starting point for performance measurement in Gwinnett County. Internal audit served in a consulting role and provided guidance to each department. Internal audit continues to work in this capacity, but to a lesser extent, to aid management in capturing, collecting, and reporting performance measurement data. Currently, internal audit devotes about 160 staff hours per year to this practice. As regular county departments and offices under participating separately elected officials gain the necessary tools and skills to capture information in non-manual ways, they often ask internal audit for guidance on how to best set up a new system or capture data.
Phoenix, Arizona, City Auditor Department (http://phoenix.gov/AUDITOR): Service performance analysis and improvement has been an operating norm in the city of Phoenix since the 1970s, with the capacity for using performance measurement and managing their own measurement systems built within city departments since then. Led by various city managers, Phoenix has also made major changes and additions to organization-wide performance practices over the years (performance-based pay, service-level analysis in the budget, customer satisfaction measurement, to name only three) to keep its performance management practices fresh and robust. The City Auditor Department, which reports to the city manager, eventually became a key agent in efforts to keep improving performance management, with a major emphasis since 1990 of helping management increase the results-orientation of measurement, and improve communication of results to the public.

From 1990-95, the city auditor department worked with all 25 city departments to assist them in making their performance measures more results-oriented, and used citizen and service customer perspectives of results as key drivers of the process to help departments select new measures (see 3a and 5d). By 1996, the monthly City Manager Executive Report to the City Council of major performance trends was fully revised to reflect departments’ new measures. A consultant was used to assist in the development of graphs and pictures to make the report reader friendly and more eye appealing. In 1999, the auditor department again met with citizens (see 5d), in a process to determine a select group of results indicators of greatest interest to the public. These became the “Organizational Indicators” reported in the front of the City Manager Executive Report.

In 2000, the city manager asked the city auditor to improve the Executive Report to make it more suitable for Internet distribution to reach a much wider public. Audit staff advised departments in selecting graphic styles for their measures and, on request, created computer graphics for departments that needed technical help. From 2001-02, the auditor department validated all measures reported (see 2a) before the report was launched on the Internet.

Since the 2002 launch of the online version of the City Manager Executive Report, the city auditor and city manager reviewed options for next steps in improving city performance accountability. To determine possible improvements, audit staff reviewed external sources, such as Governing magazine reports on other cities, for practices Phoenix was not doing. Audit staff also reviewed their notes from a 2000 discussion group of Phoenix citizens run by the Governmental Accounting Standards Board for ideas suggested by citizens. Since then, the following additional public communication improvements were decided upon and implemented:

- Creating an annual summary booklet of Executive Report Organizational Indicators (with information for getting more details) and making copies available at numerous city service...
counters (where customer feedback forms have long been prominent) for people to take away;

- In recognition of Phoenix’s large Spanish-speaking population, including a Spanish version of the performance summary at the end of the booklet;
- Making the fiscal year end Executive Report available in Phoenix Public Library branches.

The city auditor takes on citywide initiatives, such as those above, at the direction of the city manager. The Auditor Department also assists departments in improving performance management practices in other ways. For example, based on auditors’ established expertise, it is common for department staff to call auditors they have worked with and informally ask their advice on performance measurement-related issues. As it became particularly common for department staff to ask for advice on conducting customer surveys, the Auditor Department has been preparing “how to” tips on customer surveys to post on the city intranet for departments to use as a reference source. On request, the City Auditor Department also conducts customer focus groups for departments (see 5d), as well as occasional larger scale studies, audits, or evaluations related to measuring and improving performance (see 1a for an example).

The City Manager Executive Report is available from the Web pages of the city manager (http://phoenix.gov/CITYGOV/citymgr.html) and city auditor (http://phoenix.gov/AUDITOR).

Province of British Columbia Auditor General (www.bcauditor.com/AuditorGeneral): A small group of staff in the British Columbia (BC) Office of the Auditor General (OAG) has, over the years, focused its efforts on promoting improved government performance management, often working in an advisory capacity or in a joint effort with management to determine how to improve performance management and accountability. The group spends about 3,000 staff hours per year on this practice. Of particular note were three joint reports published from 1995 to 1998 under a unique partnership between the OAG and the Deputy Ministers Council (the most senior career public servants in the provincial government), under the heading Enhancing Accountability for Performance in the British Columbia Public Sector. The reports addressed the interest of the OAG in improved performance reporting and the Deputy Ministers Council interest in improved performance management practices. More recently, the Auditor General’s Office has been represented on a high-level steering committee with government management, convened in 2002 in response to a legislative committee’s recommendations, to develop a consensus on performance reporting principles and criteria, and to develop a program to provide independent assurance of performance reports. The same small OAG staff group has supported the steering committee, along with government management staff. The March 2003 progress report, Reporting Principles and An Assurance Program for BC, signed by the deputy minister of Finance, the CEO of the Crown Agencies Secretariat, and auditor general, describes eight performance reporting principles.
(see 2b) agreed upon by the steering committee, and describes the steering committee’s approach to developing a performance report assurance program. Generally, the tone and language of reports published under the Performance Reporting and Assurance heading have been in keeping with the advisory role played by OAG staff who focus on these issues.

In addition to promoting and assuring good performance reporting, the OAG also audits and comments on other performance management practices, such as an emerging trend toward the use of “performance agreements.” For example, in 2002, the OAG assessed the performance agreements signed between the Ministry of Health Services and British Columbia’s six regional health authorities. These performance agreements hold health authorities “accountable for the delivery of patient care, health outcomes and how health dollars are spent.” Through inquiry, discussion and analysis, the OAG examined the processes used to create the performance agreements, the context of the agreements, and the content, and recommended how the agreements could be improved in the future.

The following reports and other related documents are available on the BC auditor general’s Web site (www.bcauditor.com/AuditorGeneral.htm):

- *A Review of Performance Agreements Between the Ministry of Health Services and the Health Authorities*, June 2003
- *Enhancing Accountability for Performance in the British Columbia Public Sector: A Progress Report to the Legislative Assembly*, January 1998
- *Enhancing Accountability for Performance: A Framework and an Implementation Plan*, April 1996
- *Enhancing Accountability for Performance in the British Columbia Public Sector*, June 1995

**Saskatchewan Provincial Auditor** (www.auditor.sk.ca): In 1996 and 1999 the Provincial Auditor’s Office worked with a team that helped the regional health authorities (RHAs) of Saskatchewan develop program performance indicators. The provincial auditor’s representative was the most senior person on these two projects, but was not involved in the fieldwork. One RHA asked the provincial auditor to help them prepare a performance report using the Governmental Accounting Standards Board’s (GASB’s) Services Efforts and Accomplishments reporting model. (The GASB is a standards-setting body in the United States.) Another RHA asked the provincial auditor to work with them to establish performance measures for their Geriatric Program.
The Provincial Auditor’s Office will continue to encourage good public reporting by the government, as detailed in the provincial auditor’s strategic business and financial plan. Specifically the auditor’s office plans to:

- Share best practices with the primary authors of agency performance reports, including deputy ministers and communication staff;
- Discuss best practices annually with supervising agencies responsible for guidance on performance reports, including Finance, the Crown Investments Corporation, Executive Council, and Health;
- Encourage government agencies to develop the capacity to collect and analyze reliable performance information.

The Provincial Auditor’s Office is currently assessing the progress of government departments in implementing managing for results by having the departments complete a self-assessment tool developed by the auditor general of Canada. The provincial auditor plans to report the results of departments’ self-assessments in a report to the Legislative Assembly in 2004.
CHAPTER II–5
ROLE 5
EXTERNAL REPORTING, CAPACITY BUILDING, OR ADVOCACY FOR THE USE OF PERFORMANCE INFORMATION

Role 5 provides examples of the many ways auditors advocate to, or assist, elected officials and other external stakeholders, including the general citizenry, interest groups, grantees and contractors, and the media in identifying and using performance measurement data. Five different auditor practices are encompassed in this role, including that of advocating for adoption or improvement of performance management systems (Practice 5a); preparing and issuing public performance reports (5b); assisting external stakeholders in using performance information (5c); and engaging citizens through focus groups and other processes in shaping or determining public goals, objectives, or performance measures (5d). Assessing or improving citizen engagement related to performance measurement is a potential future practice (5e).

Summary of Role 5 Practices and Examples

Practice 5a: Advocate to, or assist, external stakeholders concerning the development, implementation, or improvement of government performance management systems. In Practice 5a auditors interact with their organization’s legislative bodies or other external stakeholders by making presentations; alerting them to best practices that could be adapted; drafting performance measurement laws, ordinances, or resolutions; or providing reports or other information on the potential for improving performance management.

- In Austin (p. 105), Texas, the city auditor has drafted resolutions and ordinances which have influenced development of performance management in Austin, both when the City Council has passed the legislation and when it has not. The Auditor’s Office has also had performance measurement leaders from inside and outside the city government present their good practices to City Council members.
- In Portland (p. 105), Oregon, the city auditor recommended that the mayor and City Council adopt a managing-for-results ordinance, conduct citywide strategic planning, and adopt a city mission and goals.
In Florida (p. 106), the Office of Program and Policy Analysis and Government Accountability (OPPAGA), has regularly advocated for improving accountability by providing the legislature briefings, user-friendly short reports, and guidance in using and improving Florida’s performance management systems. OPPAGA has prepared summary reports that inform the legislature on the progress of state agencies in implementing the state’s Performance Based Budgeting system.

In Montgomery County (p. 107), Maryland, the county auditor helped the council establish policy guidance for county departments and agencies with respect to developing program-specific performance measures. This policy guidance was included in a performance measurement resolution passed by the council in 1998.

In Kansas City (p. 108), Missouri, the city auditor brings performance measurement to the attention of the City Council through meetings with individual council members after audit reports are issued and through “Special Reports” that call performance measurement to the attention of the mayor and City Council.

Practice 5b: Produce and issue external periodic performance reports. In Practice 5b the auditor prepares and issues public performance reports for elected officials, citizens, and other external stakeholders.

In the first four examples the audit office follows the Service Efforts and Accomplishments (SEA) framework of the Governmental Accounting Standards Board in external reports:

- Since 1991, the Portland (p. 108), Oregon, City Auditor’s Office has published annual SEA performance reports, including data from six comparator cities, an annual citizen survey, and maps comparing results across citizen involvement districts in the city.

- Prince William County (p. 110), Virginia, internal audit has prepared annual SEA reports since 1995 following a two-year cycle, reporting on a different set of services every other year. Measures are selected by internal audit and agencies based on how representative they are of each service and their availability in information systems. Comparative data from other local governments are included, as are citizen survey highlights. A separate full report on the citizen survey is also issued annually.

- In 2001-02 the Palo Alto (p. 112), California, city auditor published the city’s first SEA report. Measures and data were selected from sources including the city’s budget, comprehensive plan, Sustainability Task Force, and benchmarking information from other jurisdictions and professional organizations. The city auditor published another SEA report for 2002-03.

- The Multnomah County (p. 113), Oregon, Auditor’s Office has published four SEA reports. The SEA reports follow a two-year cycle: One year the Auditor’s Office prepares a report on social and health services and the next year the Auditor’s Office prepares a report on public safety services. Comparative information from other counties and citizen survey results has been included.
In the next two examples, auditors have developed annual performance reports using approaches other than the SEA model to organize and report performance information:

- The Gwinnett County (p. 114), Georgia, Auditor’s Office has produced annual “Performance Measurement Reports” for the past three years. The 2002 report summarizes information on 12 county departments and includes their mission statement, top three accomplishments, goals, and objectives, and multi-year performance data trends.
- In fiscal years 2001 and 2002 the Kansas City (p. 115), Missouri, city auditor published their first two “City Services Performance Reports.” The FY 2002 report presents citizen survey results, including benchmarking survey data from numerous cities in which the same questions were asked, and performance information in six broad service categories.

**Practice 5c: Assist external stakeholders in using performance information to make decisions.** In Practice 5c, auditors’ staff assist elected officials and other stakeholders by providing user-friendly access to performance-related information, or producing analyses or interpretations of program performance data or broader outcome indicators of public conditions. Information reported can help legislators make better informed budget and policy decisions, and can help other stakeholders understand state or community issues.

- In Florida (p. 117), the Office of Program Policy and Government Accountability (OPPAGA) conducts Program Evaluation and Justification Reviews which can include both recommendations for management improvements and for legislative action, including budget-related decisions. OPPAGA also maintains a Web site with information on over 300 agencies and programs and links to their performance measures and budgeted standards, reports on the performance-based budget system and most other OPPAGA studies, and school district performance reviews. The system provides access to anyone with an interest in state government, with a special intention of educating new legislators. OPPAGA also provides a weekly e-mail newsletter on special issues for legislators and citizens.
- In Portland (p. 119), Oregon, the city auditor provides two non-audit staff to the Portland-Multnomah Progress Board to help identify, monitor, and report on outcome indicators (called “benchmarks”) of important community conditions, made accessible on a Web site. Since 1998 these benchmarks staff have also published several special reports on in-depth studies of particular benchmarks or issues, as an aid in interpreting trends and policy options.

**Practice 5d: Engage citizens in determining performance goals, objectives, or measures.**
In these three examples, auditors have conducted focus groups with citizens and business leaders to identify performance measures or to learn what citizens want in a performance report:

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The Phoenix (p. 120), Arizona, City Auditor Department has conducted customer and employee focus groups to help departments develop results-oriented performance measures, and has facilitated citizen meetings to help develop the “Organizational Indicators” reported at the beginning of the monthly City Manager Executive Report.

The Multnomah County (p. 121), Oregon county auditor led citizen discussion groups to learn how much citizens knew about county government, what they would like to know, and how they personally assess government performance, to help the audit office develop its performance reporting approach. Conclusions about what citizens want in a report were included in a feasibility study and repeated in the introductions to performance reports.

The Kansas City (p. 123), Missouri, city auditor has conducted focus groups for business representatives to talk about their service performance concerns in depth. In 2001, the city auditor convened a City Services Performance Report Advisory Panel consisting of seven community representatives and two city management staff to help select performance measures to report.

Practice 5e: Assess or improve citizen engagement related to performance management. This is included as a potential “future practice” in which auditors would assess or help improve citizen engagement related to performance measurement. The two examples that follow may be precursors to future involvement by auditors in assuring citizens that engagement processes in performance measures are representative of the community and are effective in giving participating stakeholders a real opportunity to influence plans and decisions in their entities.

• In Kansas City (p. 123), Missouri, a possible precursor to this practice is the City Auditor’s Special Report on “Governance Assessment of the City’s Boards and Commissions.” The Special Report includes answers from each board and commission to the questions, “How does the board represent the people of Kansas City? How is that documented?”

• A more extensive possible precursor to this practice is the Metro (p. 124) auditor’s 1997 Audit of the Urban Growth Boundary planning process of the Metro Portland regional government. In conducting this audit, the Metro Auditor’s Office established three standards for planning processes that involve uncertain forecasts of future conditions, and where stakeholders have varying interests and different ideas of what the forecasts should be.

Full Examples of Role 5

External stakeholders include, for example, non-executive elected officials, the general citizenry, interest groups, grantees, and contractors (nonprofit & for profit), and the media.

Practice 5a. Advocate to, or assist, external stakeholders, concerning the development, implementation, or improvement of government performance management systems.
Austin, Texas, City Auditor (www.ci.austin.tx.us/auditor): In 1992 the Office of the City Auditor drafted and presented to the Austin City Council a performance measurement and reporting resolution. The council adopted the resolution, encouraging city management to measure performance and issue annual performance reports. The auditor’s role has been to audit the adequacy of these reports as well as the city’s progress in implementing performance management on a citywide basis (see 1b). As part of its 1998 review of the city’s progress, the City Auditor’s Office drafted an ordinance that would require specific performance measurement and management practices, spelling them out in more detail than the 1992 resolution. The Auditor’s Office included the draft ordinance in its report on the use of performance measurement in Austin. The city manager’s response to the report was to propose a plan to improve performance management in Austin, in cooperation with the city auditor (see 4b), which the City Council accepted, rather than pass the ordinance. So the proposed ordinance influenced performance management improvement in the city, even though it was not passed. As part of its 2002 review of the city’s progress, the City Auditor’s Office drafted a “best practices” performance management and accountability ordinance. The comprehensive ordinance would place stronger performance planning, reporting, measuring, analyzing, and reporting requirements on city departments. When presenting its findings to the City Council Audit and Finance Committee, the Auditor’s Office brought the need for an ordinance of this nature to the committee’s attention. At that time the Council Committee tabled the report, and by reference a possible ordinance, for consideration at a later date.

In addition to reporting to the council and proposing draft ordinances on city performance management, the City Auditor’s Office has also brought examples of best practices in performance measurement to the City Council’s Audit and Finance Committee. These committee meetings are taped and can be viewed by both the public as well as the city management. In 2002 the Audit Office had a representative of the State of Texas Legislative Budget Board make a presentation to the Audit and Finance Committee on the Texas Strategic Planning and Performance System best practice model that incorporates strategic planning, performance budgeting, and performance monitoring. In 2002, the City Auditor’s Office asked the city’s fire chief to make a presentation to the Audit and Finance Committee describing how his department uses performance measurement data to strengthen its operations. Over the years, the Austin Fire Department has been a leader in the city’s managing-for-results efforts and has built a strong technological and human infrastructure to support its performance management system.


Portland, Oregon, City Auditor: (www.portlandonline.com/auditor): The City Auditor’s December 2002 report Managing for Results: A Proposal for the City of Portland is addressed to the mayor and City Council, and includes a recommendation for the City Council to adopt a managing-
for-results ordinance, conduct citywide strategic planning, and adopt a city mission and goals. (This entity-wide managing for results proposal is mainly reported under Practice 4a, as City Council members have an executive management role in the Portland city government, as well as a legislative policy role.) In February 2003 the City Council passed Ordinance No. 36123 directing the Office of Management and Finance to prepare an implementation plan for a city managing-for-results process which was completed in June 2003. The City Auditor’s Office continues to provide technical assistance and advice (see 4b).

Managing for Results: A Proposal for the City of Portland, December 2002, is available as a “publication” from the City Auditor’s Web site (www.portlandonline.com/auditor) or an “audit report” from the Audit Services Division page (www.portlandonline.com/auditor/auditservices)

Florida Office of Program Policy Analysis and Government Accountability (OPPAGA, www.oppaga.state.fl.us): OPPAGA regularly advocates for improving accountability by, for example, providing to the legislature briefings, user-friendly short reports, and guidance in using and improving Florida’s performance management system. For example, from 1997 to 2001 OPPAGA prepared a series of “PB² Summary Reports” (sometimes called “Commentary” or “Status” reports) to inform the legislature of progress in implementing the state’s Performance Based Program Budgeting system and how particular performance management initiatives were faring, and to recommend system improvements. All but the first of these reports (which provided an historical context for performance budgeting in Florida) have been quite brief, from eight to 16 pages. For example, a January 1999 report concluded that Florida’s PB² experience had led to improved accountability, better public services, and cost savings, but that agencies needed to develop more comprehensive performance measurement systems, improve data quality, and develop more reasonable standards. The report also recommended ways the legislature could make PB² more useful for policy and budget decisions, such as by improving the presentation of performance information in the budget, requiring agencies to identify how requests for budget changes would affect performance on PB² measures, and requiring agencies to develop unit cost measures. One of the recommendations that the legislature followed was to require agency unit cost measures. In 2001 OPPAGA reviewed how that was working and issued an eight-page report to the legislature. The report notes that the categories that agencies are using to report costs are useful for budgetary purposes, but the precision of agency cost estimates varied, and that for some programs, problems with the manner in which the outputs have been defined may limit the accuracy and usefulness of these unit costs.

The following are available from OPPAGA’s Florida Monitor Web site (www.oppaga.state.fl.us):

- 1997-2001 PB² Summary and Status Reports
- Full list of PB² publications
The Institute of Internal Auditors Research Foundation

Montgomery County, Maryland, Office of Legislative Oversight:
(www.montgomerycountymd.gov click on “Departments,” then “Legislative Oversight”): The Office of Legislative Oversight (OLO) has prepared a number of reports for the Montgomery County Council that assess the progress made by county agencies in establishing performance measures. The first report, published in 1998, provided an overview of performance measurement approaches, products, and plans of the county government and agencies.

As part of its continuing review process, OLO helped the council establish policy guidance for the county departments and agencies with respect to developing program-specific performance measures. In November 1998, the council included such policy guidance in a resolution it passed titled “Council Expectations Regarding the Development and Use of Performance Measurement” (Council Resolution 13-188). In this resolution, the council indicated how it would like agencies to report performance measures, and declared its own intentions for using performance measures, stating:

“Over time, the council intends to use performance measurement information to help:

- Enhance communication with the agencies and the public about the costs and performance of programs and services;
- Establish a basis for developing strategic objectives and clarifying program goals and policies;
- Support agency efforts to continuously improve management and service delivery;
- Maintain oversight of and accountability for programs and other activities;
- Identify areas of weakness that require special attention or remedial action; and
- Provide a context for budget discussions and identify opportunities for changes and trade-offs in resource allocation.”

OLO prepared another report in 1999 to update the council on the status of performance measurement activities. The report also included examples of annual performance reports produced by other jurisdictions, and provided recommendations about future reporting needs in Montgomery County. OLO completed a third and final report in 2000 to again update the council on performance measurement activities in the county government and other county-funded agencies, and to report on how the council uses performance information. OLO has devoted about 400 staff hours to these projects in years in which they have been performed.

Based on OLO’s work on the status of county measurement efforts, the council has specifically requested that county departments and agencies:

- Increase the number of outcome measures tracked;
- Link outcome data to evaluation and decision-making;
• Designate funds for data collection and analysis activities;
• Include discussion of performance measurement data during budget work sessions.

Many budget work session materials now include a summary of performance measurement activity and performance data. OLO also uses performance data in other research, analysis, and evaluations conducted for the council.

**Kansas City, Missouri, City Auditor** (www.kcmo.org/auditor): The need to improve performance measurement in city agencies is a frequent topic that the city auditor raises in meetings he holds individually with all City Council members after audit reports are issued. These discussions are especially pertinent when auditors find inadequate performance measurement in departments when they conduct performance audits (see 1a), and when the Auditor’s Office does occasional studies just on an agency’s performance measures (see 3a). After recommendations to improve department performance measurement are made in audit and special reports, the audit office’s system of tracking management actions in response to recommendations usually involves a brief report back to the City Council, which will again raise their awareness of performance measurement, when it has been an issue in an audit or special report. In addition to agency-specific reports, the city auditor has issued occasional reports that have called performance management to the mayor and City Council’s attention in a citywide context, including the following two August 2001 “Special Reports.” The *Analysis of Report Recommendations 1988–2001* distilled audit recommendations over a 14-year period into major themes, one of which was “Measure and Report on Performance.” *Budget Process Practices* included several major findings and recommendations concerning improving performance management, including having the mayor and council set and annually update multi-year citywide goals and annual priorities to drive budget decision making, continuing to improve performance measurement and reporting, and establishing more explicit linkages between budget practices, budget and performance information, and management processes.

The following reports are available from the city auditor’s Web site (www.kcmo.org/auditor):


**Practice 5b. Produce and issue external periodic performance reports.**

*Four examples of reports using a Service Efforts and Accomplishments (SEA) framework:*

**Portland, Oregon, City Auditor** (www.portlandonline.com/auditor): Since 1992 (initially for city fiscal year ending June 30, 1991), the City Auditor’s Office has published 13 annual performance reports on city services under the title *Service Efforts and Accomplishments* (SEA). The
November 2003 SEA report, for city fiscal year 2002-03 covers nine large city bureaus (departments) which provide the following services: Fire and Rescue, Police, Parks and Recreation, Transportation, Environmental Services, Water, Planning and Development Review, Housing and Community Development, and Planning. These services involve 76 percent of the city’s budget and 83 percent of its staff. The stated purposes of the SEA report are to improve the public accountability of city government; assist council, management, and citizens in making decisions; and help improve the delivery of public services. The report contains information on city government and bureau goals, program results and performance trends, and spending and staffing levels. To put the information in context for readers, the SEA reports provide four types of comparisons (not all are done for every measure):

- Comparisons of results for major city geographic districts: eight districts in 2002, with boundaries similar to those of the city’s “district coalitions” for neighborhood involvement.
- Historical trends; in 2003, both five- and 10-year trends were reported.
- Actual performance against targets and established standards.
- Portland’s performance compared with that of six similar cities: Charlotte, Cincinnati, Denver, Kansas City, Sacramento and Seattle. These cities, used for comparison each year, have similar populations, service area densities, and costs of living to Portland.

The SEA report includes data from the annual citizen survey conducted by the City Auditor’s Office (see 3a). The geographic comparisons feature maps showing results for each of the eight districts for many performance measures, especially for measures of citizen satisfaction and perceptions. Recent SEA reports through 2002-03 include a summary in the front with significant performance trends for overall service results, spending and staffing, citizen satisfaction, and selected specific measures with positive and negative results considered of particular importance or concern, for public safety, “livability ratings,” housing and development, water quality (drinking as well as rivers and streams), water rates, and the physical condition of the city’s street system. The Introduction section in the full report describes the report’s scope and methodology, limitations, and relationship to the annual budget. Appendices describe the citizen survey methodology in greater detail, and provide more detailed data from the citizen survey and city bureaus, including historical data that sometimes goes back over 10 years, and contextual information on the comparison cities (e.g., population and density, per capita budget of major services, monthly water bill, size of elements of their infrastructure such as miles of streets and sewers). The 2002-03 report also included the 2003 Business Survey in Appendix B. For the 2001-02 SEA report, the City Auditor’s Office used a total of 1,526 staff hours, including citizen survey administration, intercity data collection, report writing, preparation, and distribution.

The City Auditor’s Office has been working with city bureaus and the Office of Management and Finance to ensure that SEA performance measures are aligned with measures to be used in the
city budget process as part of the new managing for results process (see 4a and b). The 2002-03 SEA provides an early example of the new alignment, as it is the first SEA report to organize the presentation of chapters and performance results by major City Council and bureau goals. The City Auditor’s Office also intends to work on ensuring SEA reports meet the Governmental Accounting Standards Board’s (GASB’s) recently issued “suggested criteria” for communicating performance information.

Service Efforts and Accomplishments 2002-03, November 2003, as well as previous years’ Service Efforts and Accomplishments reports are available from as “publications” from the city auditor’s Web site (www.portlandonline.com/auditor) or as “audit reports” from the Audit Services Division home page (www.portlandonline.com/auditor/auditservices). Summaries of a number of recent years’ SEA Reports (through 2001-02) are also available from these Web sites.

Prince William County, Virginia, Internal Audit (within the County Office of Executive Management: www.pwcf.gov/oem): The Prince William County Internal Audit Division has, since 1995, prepared an annual Service Efforts and Accomplishments (SEA) report. Internal audit staff devote about 1,700 hours to this practice each year. The initial SEA report covered three service areas. The county has added services to SEA reports, and established a two-year reporting cycle that, for 2002 and 2003, covered 17 service areas representing 57 percent of the county’s fiscal 2003 General Fund Budget (excluding a “School Transfer”). The 2003 report included seven service areas: Community Improvement & Maintenance, Criminal Justice, Library, Planning, Youth Residential Programs, Solid Waste, and Stormwater Infrastructure Management. The 2002 report included 10 service areas: Adult Detention Center; Building Development; Fire and Rescue; Fleet Management; Mental Health, Mental Retardation, and Substance Abuse Services; Police; Public Safety Communications; Public Welfare; Real Estate Assessments; and Tax Administration. The 2003 report includes the prior year’s service area chapters as an appendix so one document contains the most recently published SEA data on all 17 service areas. In preparing the annual audit plan, internal audit discusses with the county executive new areas to add to the SEA report. Staff constraints limit internal audit to adding no more than one or two service areas each year. The service areas are selected on the basis of visibility, strategic importance, and quality of performance information available for that service area. Internal audit and agency management select measures they feel are representative of the service area and that are mostly available in internal information systems.

In each service area chapter of the SEA reports, Prince William County groups measures in three categories: spending and staffing, outputs, and results. The county reports cost per capita of all service areas except for fully fee-supported services under “spending and staffing,” and made a point in the 2001 and 2002 Executive Summaries that “it should be noted that spending per capita is a measure of the effort the community puts into a service area; it is not an efficiency measure
since it does not compare outputs with inputs.” (This distinction is consistent with GASB Concepts Statement 2 on SEA Reporting). The county does report efficiency measures comparing outputs (or outcomes) with inputs, and lists most of them under “outputs” or “results” in the service area chapters. In the 2003 SEA Executive Summary, and in “Overview” sections of the “2003 Service Area Chapters,” summary tables are provided with highlights of comparisons over time and sometimes with other jurisdictions in “Spending” (generally per capita), “Efficiency” (defined as the level of output achieved for a given level of spending), and “Results” (defined as the degree to which key program objectives are achieved).

The purposes of the SEA report are to: improve public accountability, improve service delivery, foster a competitive spirit through inter-jurisdictional comparisons, increase trust in government through greater transparency, and promote learning through interaction with peers in other jurisdictions. The 2001-2003 SEA Executive Summaries all noted that, “the SEA report is uniquely able to provide objective information that addresses many key questions that concerned citizens, elected officials, and management raise. Examples of these questions include:

- Does Prince William County spend more on a given service area than other jurisdictions?
- If so, are the citizens being provided more service or a higher quality of service?
- Is a given service area providing more or less service this year than in prior years?
- Is a given service area effectively accomplishing its key objectives?”

Spending per capita, efficiency, and a number of other SEA measures are reported in comparison with four other local governments. For all services, Prince William compares itself with Chesterfield, Henrico, and Fairfax Counties. They were selected by internal audit because Chesterfield and Henrico Counties are the Virginia jurisdictions closest to Prince William in population, and Prince William residents are often concerned with comparisons with neighboring Fairfax County. The 2003 Methodology section also notes that, “each SEA agency was allowed to select one additional comparative jurisdiction of its choice. The only restriction was that the selected jurisdiction must be either a Virginia or [Washington] D.C. metro jurisdiction.” All told, the 2003 report uses eight comparison local governments, seven from Virginia and one from Maryland. An appendix compares selected demographics of Prince William County with those of all these jurisdictions. Other types of comparisons are also reported, as noted below.

Each service area chapter of the SEA reports has an “Overview”— usually three or four pages — that starts by summarizing the service mission, program organization, resources, and projected key activities for the next fiscal year. In the 2003 report, each Overview section then has the “Spending,” “Efficiency,” and “Results” summary table noted above, and concludes with explanatory comments, such as on uses of the data, expected future improvements in SEA reporting for that service, and comparison communities surveyed. Each service area overview is followed by additional pages
In detailed sections, five- or six-year line graphs compare Prince William County trends with other jurisdictions, and sometimes compare Prince William “actual” trends with the county’s targets for that measure. Bar charts showing Prince William’s five- or six-year trends over time are also shown for some measures. Brief explanatory comments are also provided for some measures. Selections of specific measures to report have been made cooperatively among the internal audit division, county agencies, and the county executive.

Some SEA report “results” indicators are measures of citizen perceptions (e.g., percent of citizens feeling safe in their neighborhood) and satisfaction (e.g., percent satisfied with overall police performance) from the county’s annual citizen survey (see 3b). The county issues a separate report with full survey results. Internal audit estimates that one-third of the division’s staff time is related to SEA reporting, excluding time to verify data (see 2a).

Relevant publications available from the County Office of Executive Management Web site (www.pwcgov.org/oem) include:

- FY 2003 Citizen Satisfaction Survey, August 2003

Palo Alto, CA, City Auditor (www.city.palo-alto.ca.us/auditor): The 2002-03 Service Efforts and Accomplishments (SEA) report (issued in January 2004) is the second annual performance measurement report for the City of Palo Alto. The SEA reports have a chapter on each of eight major groups of services, mostly organized by department and divisions or programs within departments. The major service groups reported are: community services (e.g., parks, arts and culture, human services), fire, libraries, planning and community environment, police, public works, utilities, and legislative and support services. The reports also include a chapter on overall spending and staffing. The front of each report includes a two-page summary with a paragraph of performance highlights on each major service group, including selected percentage changes in performance. The stated purpose of the SEA reports is “to provide reliable information on the performance of city services, assess the trends in efficiency and effectiveness, and improve city accountability to the public.” As described in the “Scope and Methodology” section of each report, measures and data were selected for reporting by the Office of the City Auditor from several sources, including the city’s adopted budget documents, the city’s Comprehensive Plan, the city’s Sustainability Task Force, performance measures from other jurisdictions, and benchmarking information from the ICMA and other professional organizations. SEA data tables include a symbol to indicate measures that are also reported in the budget, though relatively few performance measures were drawn from the budget. Chapters or sections on each department provide the department’s mission, descriptions of the department’s services, information on spending and staffing, and measures
of workload and performance results. The 2002-03 SEA report includes the results of Palo Alto’s first annual citizen satisfaction survey. To put the performance findings into context for the public, the report provides two major types of comparisons:

- Five year historical trends of Palo Alto data for most measures, including percent change over the five year period;
- Comparisons to other cities for selected measures.

In addition to making the 2001-02 SEA report accessible from the city auditor’s Web pages, in 2003 the city of Palo Alto also made the report accessible from a special Web page of the city manager on the city’s budget crisis. City auditor staff devoted 1,800 hours to the first SEA report (for 2001-02), including time selecting measures (see 3a). The city auditor expected this to decline with experience in compiling future reports.


**Multnomah County, Oregon, Auditor** (www.co.multnomah.or.us/auditor): The February 2004 Service Efforts and Accomplishments Report: Public Safety FY2003 is the fourth annual Service Efforts and Accomplishments (SEA) report for Multnomah County, OR, and the second SEA Report on Social and Health Services. Multnomah County issued its first SEA report in 2001, for fiscal 2000 social and health services performance. The Multnomah SEA reports follow a two-year cycle: One year the County Auditor’s Office prepares a report on social and health services, and the next year the Auditor’s Office prepares a report on public safety services. The stated purpose for the SEA report is to “increase government accountability, and provide information to citizens about their government.” The fiscal 2003 Public Safety SEA Report focused on services of the District Attorney, Sheriff, Department of Community Justice, and the Local Public Safety Coordinating Council. The fiscal 2002 Human Services Report focused on services of the Human Services Department, Health Department, Library, and Office of School and Community Partnerships. These four human services agencies represent the lion’s share of the county budget, comprising 59 percent of county expenditures and 45 percent of staff in FY 2002. For each agency, the SEA report includes four types of measures, defined in the report as *spending and staffing measures* (including growth in last five years); *workload measures* — *amount of service produced or numbers of people served*; *outcome measures to demonstrate intended results and effectiveness of programs*; and *efficiency and cost measures*. It also describes the services provided by each agency, and agency missions, goals and objectives, accomplishments, and continuing issues. In addition to the data on the specific measures, the report provides graphs and a map of agency locations. As the county has only issued SEA reports on each group of services twice thus far, some social services were reorganized between those reports, and a new
agency was added to the latest public safety report, some measures are not yet available for certain agencies.

The “Introduction” of the SEA report provides information on the scope and methodology of SEA reporting, and on data and measurement limitations. The FY 2002 SEA report compares four other counties’ library services to that of Multnomah County to provide some context for assessing the county’s performance. The FY 2003 SEA report reported a limited number of comparisons of efforts in jail and patrol services from three other counties to those of the Multnomah county sheriff. SEA reports going back to FY 2001 include results of citizen surveys to assess the public’s “satisfaction with the quality of city services and sentiments on neighborhood livability.” Detailed survey data and external data sources are in appendices. The county auditor has posted all four SEA reports to date on its Web site.

To determine specific measures to include in the SEA reports, the Multnomah County Auditor’s Office worked closely with staff and management in each agency to develop a framework for reporting, decide on measures, and gather data for the report. The Auditor’s Office also was guided by what it learned from citizens before it started issuing SEA reports (see 5d). In preparing SEA reports, the County Auditor’s Office follows GASB’s SEA Reporting Concepts, as well as the “General Standards” section of Government Auditing Standards (Yellow Book). County auditor staff have devoted about 950 hours per year to SEA reporting, though the amount of staff time required has been declining as the report is institutionalized and the Auditor’s Office becomes more efficient at compiling the report.

In a new effort, as part of an audit project related to a special three-year income tax to assist school districts in the county, the Multnomah county auditor and the Portland city auditor will be assessing school district performance and will be jointly publishing SEA reports on the performance of the eight school districts in Multnomah County.

Current and past SEA reports dating back to the first in 2001 (for FY 2000) are available from the county auditor Web site (www.co.multnomah.or.us/auditor).

Two examples of performance reports using models other than the SEA framework:

**Gwinnett County, Georgia, Internal Audit** (from www.gwinnettc county.com click on “Departments,” then “County Administrator,” then “Internal Audit”): The Office of Internal Audit has produced Gwinnett County’s three annual “Performance Measurement” reports, for the years 2000, 2001, and 2002. They also conducted “trial runs” of their performance measurement system in 1998 and 1999, providing one or two extra years of trend data for some measures. The 2002 report reports trend data back to 1999 for most measures. These public reports are products of the
The Institute of Internal Auditors Research Foundation

county’s “Performance Measurement Project” (see 4b), which is intended to examine how the county government uses its resources to achieve its goals. Report cover letters from the chair of the County Board of Commissioners noted that before these reports “there was no one central place to see facts and figures relating to the productivity of Gwinnett County as a government” and noted “this report enables everyone to see the whole picture as well as the details.” Cover letters from the county administrator say the report “is meant to be a resource by which Gwinnett County can measure the effectiveness and efficiency of our county government.” Introductory material in the 2001 and 2002 reports describes how county staff developed the measures reported (see 4b), and emphasizes the importance of reviewing trends in performance results over several years.

The County Performance Measurement Report for 2002 summarizes information on 12 county departments, including: Community Services (including, e.g., Parks and Recreation, Health and Human Services), Correctional Services, Financial Services, Fire and Emergency Services, Human Resources, the Law Department, Magistrate Court, Planning and Development, Police Services, Public Utilities, Support Services, and Transportation. Each department has information on its mission statement, its top three accomplishments for 2002, goals and objectives, an organization chart showing major divisions, and performance measures. Several types of performance measures are reported, defined in the report as inputs — staff and funds; outputs — the volume of work produced; efficiency — the amount of resources used to get the job done; service quality — how well the work was done; and outcomes — final results. Some divisions or programs do not report on every type of measure, because a type of measure may not fit well with the work of that division. As performance measurement is still evolving in Gwinnett County, a few measures shown have less than the four years’ of data reported for most measures. Some have no data, with footnotes showing the reason, such as a need to conduct surveys in the future to capture the data. In addition to actual results for performance measures, 2002 data are compared with 2002 projections, and projections for 2002 are also reported. The report also includes organizational charts for the county government and for the Office of Internal Audit. Two audit staff work on the annual performance report over a six-month period, including testing measures (see 2a) and assisting management (see 4b), while also working on other audit projects. Together, they spend about 390 staff hours per year actually producing the performance reports. The 2002 Performance Measurement Report will be the first to be made available on the county Web site.

Kansas City, Missouri, City Auditor (www.kcmo.org/auditor): The city auditor issued its first two annual City Services Performance Reports in March 2002 (for fiscal 2001) and March 2003 (for fiscal 2002), for the fiscal years that ended the previous April 30th. In several previous years starting in the mid-1990s, the city auditor issued reports on citizen surveys and on a 1999 survey of business owners and managers (see 3b), providing performance information on satisfaction with city services, perceptions of community conditions, and priorities for services or issues that should
receive future emphasis from city leaders. In March 2002, the city auditor issued a report on a series of October 2001 focus groups of business owners and managers, providing more depth of information to complement the satisfaction and perception ratings business people provided in 1999 (see 3b). Results of the citizen surveys through 2001 were released as separate reports (the last in March 2002). Results of the 2001 survey were also included in the fiscal 2001 City Services Performance Report. Starting with the 2002 survey, survey results are only being reported in the City Services Performance Report. These citywide performance report projects have taken an average of about 1,200 staff-hours each.

The fiscal 2002 City Services Performance Report presents a summary of citizen survey results followed by performance information in six broad categories: streets, public safety, parks, water and sewer, neighborhood livability, and overall quality of life. A section in the report on each category includes both relevant citizen survey results and relevant indicators of service performance or community conditions. The City Auditor’s Office intended for the performance information to provide balance and context for the survey data — both to be fair to city staff to address their concerns that survey results are not a complete picture, and to be fair to citizens so that their perceptions are considered. To help determine what performance measures should be included in the report for each category, the city auditor assembled a nine-member advisory panel, including two city management staff and seven community representatives (see 5d).

Starting in 2000 the City Auditor’s Office decided to change its citizen survey rating scale from four points to five points, in order to obtain results comparable to results of citizen surveys done by the same survey research firm in up to 18 other communities in the metro Kansas City area, and to results of other cities in and near the wider Midwestern region. Each year since then, in separate reports or in the City Services Performance Reports, the city auditor has provided benchmarking data comparing Kansas City citizen satisfaction and perception ratings with those of citizens in other communities. Graphically, the reports have included two types of comparative bar charts showing benchmarking data for a number of questions and related sets of questions allowing readers to quickly see how Kansas City satisfaction ratings compare with other cities or with its own metropolitan region. One type of chart shows Kansas City results positioned clearly within the range from lowest to highest of a group of comparison cities, with average results also shown as a comparison point. Another type of chart simply shows bars with results of individual cities, generally the other large cities from the wider region. The fiscal 2002 report includes comparative citizen survey data from 12 other cities across the Midwest, and into the mountains and the Southwest, from Indianapolis to Denver, and from Minneapolis to San Antonio. Also, in fiscal 2001 and fiscal 2002, year-to-year comparisons are reported for Kansas City results, with the 2002 report showing three-year comparisons.
The following reports are available from the City Auditor’s Web site (www.kcmo.org/auditor):

- Survey of Kansas City Businesses, February 2000
- Kansas City Citizen Survey, April 2000
- 2000 Kansas City Citizen Survey, November 2000
- City Services Performance Report for Fiscal Year 2001 & Survey, March 2002
- 2001 Business Focus Group Report, March 2002
- City Services Performance Report for Fiscal Year 2002, March 2003

**Practice 5c. Assist external stakeholders in using performance information to make decisions.**

**Florida Office of Program Policy Analysis and Government Accountability (OPPAGA):**

*Program Evaluation and Justification Reviews:* OPPAGA (www.oppaga.state.fl.us) is required to complete a “Program Evaluation and Justification Review” to the legislature of each state agency program that is operating under a performance-based program budget (PB^2) and issue a report of each review to the legislature. In Florida, a legislatively defined “program” in the budget is usually large (e.g., Medicaid Health Care Services). These reviews serve as performance reports on individual programs and as evaluations of specific program management and policy issues, and can include both recommendations for management improvements and for legislative action, and thus contribute to legislative decision-making. OPPAGA has been conducting these reviews (now simply called “Justification Reviews”) since 1997, when several agencies progressed to their second year in the PB^2 system. More recently, the legislature has gone to a five-year cycle of close legislative review of all programs, which helps determine OPPAGA’s schedule. The justification reviews now represent about 40 percent of OPPAGA’s workload. Even at that level of effort, OPPAGA cannot maintain a strict five-year review cycle for every program. OPPAGA selects programs to review each year based on a combination of performance risk assessment and legislative policy priorities. Performance risk assessment includes, for example, the time since the last review and the extent of problems found in the past. This is balanced against programs that relate to policy issues of interest to the legislature, determined by OPPAGA in meetings with the legislative leadership and its staff. (OPPAGA reports to both a Joint Legislative Audit Committee and to the legislative leaders — the speaker of the House and the president of the Senate.) A justification review often includes aspects of a performance audit (see 1a) and examination of performance and policy considerations that can help legislators make budget and policy decisions. Typically, justification reviews involve:

- Review of all performance measures reported to the legislature as part of PB^2 for continuing relevance and reliability (see 2a);
Assessment of performance over time: In using performance data to assess performance, OPPAGA tends to examine longer-term trends (e.g., five years or longer) than agencies typically report to the legislature each year in the budget process;

- Review of internal performance reporting systems and nonfinancial management controls.
- Examination of specific management and policy issues based on assessment of management risk and legislative policy interests. In examining these issues, OPPAGA tries to answer:
  - Is the program doing a good job of achieving outcomes for the taxpayer?
  - Is there a better way to achieve these outcomes?
  - What cost-saving or operational streamlining opportunities are there for this program?
  - What emerging issues related to this program will the legislature need to pay attention to in the future?

Recent Medicaid budgeting experience illustrates one legislative use of these reviews. OPPAGA’s Medicaid Program Justification Review included an examination of rebates to the state for volume purchases from the preferred drug list, including the Florida Agency for Health Care Administration (AHCA) practice of allowing some pharmaceutical companies to provide in-kind services (e.g., providing information on disease management) in lieu of cash rebates. OPPAGA found that the value of the in-kind services did not equal the value of the rebates due. The Florida Senate subsequently passed a bill to ban this practice, while the House did not. The two chambers compromised by requiring the companies to guarantee $16 million more in budget savings, and justify any non-cash-rebate savings in documentation reported to AHCA. The Medicaid budget was adjusted accordingly. The legislature has implemented various other justification review recommendations with budgetary impact over the years, including, for example, reducing unnecessary positions, raising fees (for programs such as professional licensure that are supposed to be self supporting), and automating claim processing systems.

Justification Review reports since 1997 are available from OPPAGA’s Florida Monitor Web site (www.oppaga.state.fl.us).

**Internet-based Public Information Related to Program Performance:** OPPAGA maintains a Web site, the “Florida Monitor” (www.oppaga.state.fl.us), that includes a wide range of information about OPPAGA (including lists of all reports back to 1978 and downloadable reports back to 1995), about Florida’s performance-based program budget (PB²) system, about School District Reviews, and about all State of Florida agencies and programs. Much of the information on about 300 agencies and programs is on the “Florida Government Accountability Report” (FGAR) portion of the Web site. For every state program, FGAR contains descriptive program summaries with links for more details (including links to related legislation), several years of program funding by source, summaries of program issues and OPPAGA evaluative comments (with links for more details for
some issues), links to performance measures and standards for the program as approved by the legislature in the budget process, links to other OPPAGA reports on the program and to the program agency’s Web site, and agency program contact people and phone numbers. While FGAR was designed to serve anyone with an interest in state government, OPPAGA particularly had in mind providing a readily accessible information resource to help new legislators learn about agencies and programs and their performance issues. Legislative committee staff help fulfill that function by printing out the FGAR program profiles and inserting them in briefing books for new legislative members.

In 2003, OPPAGA initiated the *Florida Monitor Weekly*, an e-mail newsletter for Florida public policy research, that anyone with an e-mail address can receive free by signing up for it at OPPAGA’s Florida Monitor Web site. The *Florida Monitor Weekly* covers selected issues each week, and not only highlights related OPPAGA publications and other legislative and State of Florida reports, but goes beyond Florida information to include highlights of federal reports, related reports from other states, think tank research, Web site resources, and other sources for policy research and program evaluation. OPPAGA provides this weekly publication as an information service to bring attention to issues of interest to Florida policy makers. While still intended to be helpful to Florida legislators, OPPAGA also intends the *Florida Monitor Weekly* to be of interest to a broader audience of citizens interested in the issues featured each week. OPPAGA devotes 5,825 staff-hours annually to maintaining these Internet services.

Home pages or front pages of these three Internet services:

- Florida Monitor: www.oppaga.state.fl.us
- Florida Monitor Weekly: www.oppaga.state.fl.us/weekly

**Portland, Oregon, City Auditor** (www.portlandonline.com/auditor): The city auditor provides two “benchmarks staff” to support the Portland-Multnomah Progress Board, a “blue ribbon” citizen panel, formed in 1993, and cochaired by the mayor of Portland and the chair of the board of Multnomah County Commissioners. These two staff are not auditors, do not follow government auditing standards, and report directly to the elected city auditor, not to the director of audits. They are not part of the Audit Services Division of the Office of the City Auditor.

The Portland-Multnomah Progress Board identifies, monitors, and reports on indicators (called “benchmarks”) for important community-wide goals. The Board identifies major trends in the community and acts as a catalyst for government, business, and community groups to improve the performance of the benchmarks, which generally represent broader community and regional
The city auditor’s benchmarks staff obtains data from a variety of sources for benchmark indicators of the economy, education, environment, government and civic participation, health and families, public safety, and urban vitality. Most benchmarks for which regular data sources are available are updated annually, a few less frequently. Some benchmarks have been under study to find good sources of data, and some are discontinued from time to time, usually because of a lack of reliable data and sometimes because the Progress Board has not found the indicator to be useful. Long-term data trends (some back to 1990) and updates are available on the Progress Board Web site. In 1999 and 2001, the city auditor’s benchmarks staff prepared brief benchmark summary reviews of key benchmarks, with narrative on “Major Challenges for Our Community” and trend graphs with brief narrative for eight or nine key benchmarks divided under three main headings: “Our Thriving Region,” “Fulfilling Lives,” and “Safe and Caring Communities.” The 2001 review is printable on two sides of a letter-size page. From time to time, the city auditor’s benchmarks staff also conducts an in-depth study of a particular benchmark or policy issue. Since 1998, they have published “special reports” on three such studies: *Children’s Readiness to Learn: Salmon Restoration in an Urban Watershed: Johnson Creek, Oregon;* and *Educational Success for Youth: Aligning School, Family, and Community.*

In addition to the benchmarks staff, staff from the Audit Services Division of the Office of the City Auditor provides some additional assistance to the Progress Board, by, for example, including a few questions on the annual citizen survey that are used for benchmarks data. Also, the Auditor’s Office occasionally assists the city’s Planning Commission and District Coalitions (nonprofit or city-staffed collaborative groups organized geographically to engage citizens and support neighborhood associations), in using performance information.

Benchmarks reports and data, and the “special reports” referred to above, are available under “Progress Board Benchmarks” in “Publications” from the city auditor Web site (www.portlandonline.com/auditor). The Portland-Multnomah Progress Board home page is accessible from the city auditor Web site.

**Practice 5d. Engage citizens in determining performance goals, objectives, or measures.**

**City of Phoenix, Arizona, City Auditor Department** (phoenix.gov/AUDITOR): In 1991 the City Auditor Department began leading focus groups that helped identify performance indicators eventually selected by city departments (see 3a). Audit staff talked with customers of departments and frontline staff to find out what was important about the services being delivered. From that they worked with departments to develop performance measures. The focus groups helped clarify discrepancies between what service managers thought citizens wanted, and citizens’ actual service expectations. One focus group lesson that cut across departments was the need for simpler, less
abstract performance terminology for citizens to relate to. Phoenix changed its terminology from the typical input-output-efficiency-outcome labels. The city found that from Phoenix citizens’ perspectives, “results” usually fell into one of four categories: satisfaction, cost, cycle time, or mission. Over a five-year period, the City Auditor Department conducted customer and employee focus groups to help all city departments develop performance measures intended to be more results-oriented than their existing measures. Now the City Auditor Department conducts focus groups by request for departments that wish to update their performance measures. In 2003-04, the Auditor Department will assist the Public Transit Department in reviewing and updating its performance indicators.

In 1999 the City Auditor Department again led a series of citizen meetings. These meetings were used to help develop the “Organizational Indicators” found at the beginning of the City Manager Executive Reports, and that form a “report card” for city services. Auditor department staff asked citizen participants what was important to them about the services that the city provided. The Auditor Department first worked with the National Civic League and the Urban Institute to conduct two pilot workshops with citizens to discuss the concept of performance measurement and explore possible areas for measurement. Then, 10 community forums were held throughout Phoenix in convenient locations (e.g., libraries, community centers, senior centers) to find out what was important to citizens about the services provided by the city. During these meetings, citizens indicated they were most interested in 12 types of services or issues. Staff then generated hundreds of possible outcome indicators for these citizen priorities. A second set of meetings was held where citizens used computer-voting technology to select specific outcome indicators they considered of highest priority. They voted using a handheld device similar to those used by TV game show audiences. The system quickly tabulates votes and allows participants to immediately see a graph of the voting results. This process produced “Organizational Indicators” of broad public interest, including indicators not likely to be reported in reports only organized by department. While some of the Organizational Indicators are traditionally associated with specific departments (e.g., police and fire response times), some are the results of efforts of multiple departments (e.g., citywide energy expenditures). Also, other Organizational Indicators are, at most, only partly influenced by city government (e.g., average commuting time, unemployment rate) but are community outcomes of great concern to citizens.

The City Manager Executive Report is available from the Web pages of the city manager (http://phoenix.gov/CITYGOV/citymgr.html) and city auditor (http://phoenix.gov/AUDITOR).

Multnomah County, Oregon, Auditor (www.co.multnomah.or.us/auditor): In 1999, as part of a feasibility study on conducting service efforts and accountability (SEA) reporting in Multnomah County, the County Auditor’s Office conducted eight citizen discussion groups to learn how much
citizens knew about county government, what they would like to know, and how they personally assess government performance. The county auditor reported on these discussion groups, and the rest of the feasibility study, in the January 2000 report, *Service Efforts & Accomplishments Feasibility Study*. In the feasibility study report, the Auditor’s Office estimated that about 220 staff hours were spent organizing the eight discussion groups, and another 48 staff hours were spent managing and leading the sessions. Fifty-two Multnomah County residents participated in the meetings. In soliciting participants, the Auditor’s Office used names provided by Portland neighborhood associations, the Multnomah County Citizen Involvement Committee and Citizen Budget Advisory Committee, local Safety Action Teams, and active citizens around the county. The auditor considered “engaged” citizens such as these to be the intended audience for SEA reports.

In the feasibility study report, the Auditor’s Office noted that “our discussions with citizens revealed that there is a critical need to educate people about what the county does, how it is distinct from other local and regional governments, and what kinds of services it provides. Most citizens we talked with, while informed, were not able to immediately give an opinion on performance or know how they would assess performance without first requiring some description of services.” The Auditor’s Office conclusions about “what citizens want in a report” were included in the feasibility study report, and have been repeated in the introductions to the SEA reports later issued by the auditor. As described in the county’s SEA report for fiscal year 2002 (on social and health services), county citizens most want an SEA report to:

- “Report from the public’s point of view. Organize the information by function rather than department. Include services, regardless of size, that are of great interest to the public.
- Describe goals and service populations.
- Show revenues, expenditures, and the amount of services purchased. Include information on county spending priorities and the number of people served.
- Include broad measures. Provide figures on county progress toward state and local benchmarks and cross-departmental measures.
- Show efficiency measures. Include information at the county and department level on per capita costs of services.
- Include trends and comparisons. Show how the county has done over time and compared to other jurisdictions.”

The report *Service Efforts and Accomplishments Reporting for Multnomah County: A Feasibility Study*, January 2000, and all current and past SEA reports dating back to 2001 (for FY 2000) are available from the county auditor Web site (www.co.multnomah.or.us/auditor).
The Institute of Internal Auditors Research Foundation

 Kansas City, Missouri, City Auditor (www.kcmo.org/auditor): In addition to commissioning citizen and business surveys (see 3b), in which respondents were asked to select priority services and issues for future emphasis as well as rate their satisfaction with services and perceptions of community conditions, the City Auditor’s Office has involved relatively small numbers of citizens in matters related to performance management. In 2001, the City Auditor’s Office conducted four business focus groups in which a total of 34 business owners and managers attended (see 3b) to talk about their service performance concerns in depth. Participants identified specific aspects of each service discussed that most affected their overall satisfaction, and the relative importance of each aspect they identified. For the fiscal 2001 City Services Performance Report (see 5b), the city auditor convened a nine-person City Services Performance Report Advisory Panel to help select performance measures to report. The panel had two city management staff with a good working knowledge of citizen concerns and city development issues, and seven community representatives from different parts of Kansas City, representing a local foundation, university public affairs programs, community development or neighborhood associations, and a former president of the Board of Police Commissioners. Of the many possible measures that could be reported, the advisory panel was asked to identify measures that particularly focus on community conditions and service outcomes.

Advisory Panel members are listed in Appendix 1 of the City Services Performance Report for Fiscal Year 2001, which is available from the city auditor’s Web site (www.kcmo.org/auditor).

Practice 5e. Assess or improve citizen engagement related to performance management.

A potential future practice, with possible “precursor” examples: This practice is listed here as a “potential future practice” on the assumption that if citizen engagement becomes a prominent component of performance management in more jurisdictions, it will be important to have some form of independent review to assure citizen engagement processes are representative of the community, and are effective in giving participating stakeholders a real opportunity to influence plans and decisions. No demonstrated examples have been found in this study for this practice. However, two examples were identified that may be a “precursor” to this future practice, and may provide lessons that can be drawn upon in the future by auditors interested in assessing or helping to improve citizen engagement in performance management in their entities.

Kansas City, Missouri, City Auditor (www.kcmo.org/auditor): Possible precursors of this “future practice” are the city auditor’s “Governance Assessments” of city boards and commissions, a practice started in 2001. This involves a legal requirement of the City Auditor’s Office to request city boards and commissions to complete “Governance Checklists.” The “Special Reports” issued on these assessments provide the verbatim answers of each board and commission to a series of
governance questions, the last of which are, “How does the board represent the people of the City of Kansas City? How is that documented? (Please provide the documentation.)” The City Auditor’s Office has devoted an average of 560 staff-hours to each of these projects.

These special reports are available from the city auditor’s Web site (www.kcmo.org/auditor):

- Good Governance Practices for Boards and Commissions, August 2001
- Governance Assessment Fiscal Year 2002, October 2002
- Governance Assessment Fiscal Year 2003, October 2003

Metro Auditor (www.metro-region.org/auditor), Portland, Oregon, metro area regional government: A possible precursor of this “future practice” is the Metro Auditor’s Audit of Metro’s Urban Growth Boundary (UGB) planning process, issued in a September 1977 report. In the United States, the specific process that was the subject of this report is unique to Oregon. However, it is a process that has things in common with many policy planning and decision-making processes undertaken by state, provincial, and local governments throughout the U.S. and other democracies: It is highly controversial, much of the data on which to base a decision has a high degree of uncertainty, and there are a range of stakeholders with widely varying interests and positions on the issue. If citizen engagement becomes a regular feature of government performance management (e.g., citizens engaged in strategic planning, goal setting, selection of performance measures), some parts of Metro’s UGB Planning Process Audit may be useful to auditors who, in the future, may want to assess the credibility of processes involving citizens in performance management. The Metro Auditor’s Office used 1,200 staff hours for this audit. In conducting the audit, the Auditor’s Office established three standards for a credible and complete UGB decision process, which could potentially be applied to other planning processes that involve uncertain forecasts (e.g., long-term strategic planning for a community or region), and where stakeholders have widely varying interests and different ideas of what the forecasts should be:

- Uncertainty in projections and forecasts should be clearly recognized; this standard intends to ensure that future uncertainties are openly acknowledged, so stakeholders do not feel Metro is concealing uncertainty to favor a particular view or interest, or discount a differing view.
- Outcomes associated with several projections and forecasts should be discussed; this standard intends to ensure acknowledgment and discussion of possible alternative futures.
- All interested stakeholders should assist in reaching consensus projections or forecasts that can be presented for decision-making purposes; this standard intends to ensure that forecast numbers used for eventual decision making are as credible as possible, and even stakeholders who do not agree with the result feel the projections and forecasts were arrived at in a fair and reasonable manner.
The Metro Auditor’s Office acknowledged in its September 1997 report that the Metro’s UGB planning process included extensive citizen involvement, but found that several of the major stakeholders on opposite sides of UGB issues perceived, for one reason or another, that their views had not been given reasonable consideration or they had not been shown proper respect. Appendices to the report included the 17 steps the Metro Growth Management Services Department used in its planning calculations, and critiques of each step by groups on opposite sides of the UGB debate with specific responses by the department to each critique of each step.

One of the report’s recommendations called metro’s development of performance measures related to the goals of maintaining an Urban Growth Boundary “an important part of this process of enhanced credibility because the measures will eventually form a ‘feedback loop’ which will document how and how well its growth management planning processes are working and the specific effects of policy decisions.” (Metro has since developed such measures, and in March 2003 issued its first report of its land-use and transportation performance measures.) Another recommendation said that metro’s executive officer (chief appointed official), in consultation with the elected Metro Council, “should identify all potential stakeholders who need to know these details. Metro’s executive officer, staff, and council should work consistently and continually with these stakeholders and keep them fully informed about the data produced and [associated] outcomes. Metro should stay abreast of stakeholder activities to determine ways to continually improve an open stakeholder involvement process.”
PART III
AUDIT OFFICE PROFILES,
RESEARCH METHODS,
AND REFERENCES
CHAPTER III-1
PROFILES OF AUDIT ORGANIZATIONS FEATURED IN THIS GUIDE

All budget and staffing information in these profiles should be considered approximate. Audit organizations were asked to provide their “best estimates” for requested quantitative information, such as budgets.

Alberta Auditor General

Entity audited: Province of Alberta: Every ministry, department, regulated fund, revolving fund, and provincial agency

Annual budget of entity audited: $15.7 billion (U.S. dollars)

Number of auditors in the organization: 100

Reports to: Legislative Assembly of Alberta

Audit standards followed: Canadian Institute of Chartered Accountants Handbook (CICA)

Contact information: Auditor General of Alberta
8th floor, 9925 – 109 Street
Edmonton, Alberta, Canada T5K 2J8
Phone: 780-427-4222
www.oag.ab.ca

Contact for practices: Ken Hoffman
780-422-6517
khoffman@oag.ab.ca

Links to more information: www.finance.gov.ab.ca/publications/measuring/index.html. This page includes links to government of Alberta performance reports and performance measurement publications.
Austin, Texas, City Auditor

Entity audited: City of Austin

Annual budget of entity audited: $1.9 billion

Number of auditors in the organization: 19.5

Reports to: Non-executive mayor and City Council

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book)

Contact information: Office of the City Auditor
Two Commodore Plaza, 206 E. 9th St., Ste. 16.122
Austin, TX 78701
512-974-2061
www.ci.austin.tx.us/auditor

Contact for practices: Stephen L. Morgan
512-974-2061
steve.morgan@ci.austin.tx.us
Austin, Texas, Corporate Internal Audit

Entity audited: City of Austin, Texas

Annual budget of entity audited: $1.9 billion

Number of auditors in the organization: 4

Reports to: Executive management of the entity audited, city manager

Audit standards followed: IIA Standards (Red Book)

Contact information: Corporate Internal Audit, City of Austin
206 E. 9th Street,
Austin, TX 78701
512-341-7495

Contact for practice: Stuart Grifel
512-341-7495
stuart.grifel@ci.austin.tx.us
British Columbia Auditor General

Entity audited: Province of British Columbia

Annual budget of entity audited: $30 billion (U.S. dollars)

Number of auditors in the organization: 72

Reports to: Legislative Assembly of British Columbia

Audit standards followed: Canadian Generally Accepted Auditing Standards (GAAS)

Contact information: 8 Bastion Square
Victoria, BC, Canada V8V 1X4
Tel: 250-387-6803
http://bcauditor.com/AuditorGeneral.htm

Other Web sites with relevant information:
www.ccola.ca
www.ccaf-fcvi.com

Contacts for practices: Errol Price, Senior Principal
250-356-2628
eprice@bcauditor.com
Contact for general assessment of annual reports, assurance on external performance reports, promoting performance management and reporting practices.

Susan Jennings, Director
250-356-2619
sjennings@bcauditor.com
Contact for general assessment of annual reports, promoting performance management and reporting practices.

Michael Macdonell, Project Leader
250-356-5066
mmacdonell@bcauditor.com
Contact for assurance on external performance reports.
Colorado Springs, Colorado, City Auditor

Entity audited: Authority to audit all entities that are controlled either directly or indirectly by City Council, including: 1) Colorado Springs Utilities (electric, gas, water, and wastewater); 2) Memorial Hospital; 3) Colorado Springs Airport; and 4) the city of Colorado Springs.

Annual budget of entities audited: The 2003 budgets for the entities listed above are: 1) Colorado Springs Utilities = $849 million, 2) Memorial Hospital = $431 million, 3) Colorado Springs Airport = $21 million, and 4) the city of Colorado Springs = $280 million.

Number of auditors in the organization: The office employs eight (8) professional auditors and one (1) support staff.

Reports to: City Council

Audit standards followed: IIA Standards (Red Book)*
*The city auditor currently follows the Red Book. In the past, they have followed the Yellow Book, except for the reporting standards.

Contact information: City Council’s Office of the City Auditor
30 South Nevada Avenue, Suite 604
P.O. Box 1575, Mail Code 640
Colorado Springs, CO 80901-1575
www.springsgov.com/Members.asp?MemberID=27

Contact for practice: Denny Nester, Assistant City Auditor
719-395-5694
dnester@ci.colospgs.co.us
Florida Office of Program Policy Analysis and Government Accountability (OPPAGA)

Entity audited: Authority to audit any administrative agency of the state of Florida, Florida school districts, and entities performing state functions under contract. Also Florida local governments upon request.

Annual budget of entity audited: $53.5 billion was appropriated last fiscal year. State of Florida budget only, does not include school districts and other non-state government entities audited.

Number of auditors in the organization: 81 evaluators and analysts

Reports to: Florida Legislature

Audit standards followed: IIA Standards (Red Book)

Contact information: 111 W. Madison Street, Suite 312
Tallahassee, FL 32399-1475
www.oppaga.state.fl.us

Contacts for practices: Martha Wellman
850-487-2977
wellman.martha@oppaga.fl.gov
Gary VanLandingham
859-487-0578
vanlandingham.gary@oppaga.fl.gov
**Gwinnett County, Georgia, Office of Internal Audit**

**Entity audited:** Gwinnett County government, including independently elected offices in certain circumstances

**Annual budget of entity audited:** Approximately $1.4 billion

**Number of auditors in the organization:** 6 auditors, 1 consultant and 1 audit specialist who handles administrative tasks and smaller audits

**Reports to:** Executive management: deputy county administrator

**Audit standards followed:** Government Auditing Standards (U.S. GAO Yellow Book) and IIA Standards (Red Book)

**Contact information:**
Gwinnett County Office of Internal Audit  
75 Langley Drive  
Lawrenceville, GA 30045  
770-822-7740  
www.gwinnettcounty.com

For internal audit Web page, go to www.gwinnettcounty.com then select Departments, then County Administrator, and then Internal Audit.

**Contacts for practices:**

**Current 2a, 4b, 5b**
- Tammy Koonce  
  770-822-7748 koonceta@co.gwinnett.ga.us  
- Diana Hofsommer  
  770-822-7746 hofsomdi@co.gwinnett.ga.us

**Past Practice 4b**
- Virginia Harris  
  770-822-7740 harrisvi@co.gwinnett.ga.us  
- Donna Buhler  
  770-822-7742 buhlerdo@co.gwinnett.ga.us
Kansas City, Missouri, City Auditor

Entity audited: All departments, commissions, boards, and other offices of city of Kansas City, Missouri

Annual budget of entity audited: $976 million in fiscal year 2004

Number of auditors in the organization: 15

Reports to: City Council

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book)

Contact information: 414 E. 12th Street
                                       21st Floor
                                       Kansas City, Mo 64106
                                       816-513-3300
                                       www.kcmo.org

Contact for practices: Mark Funkhouser
                                        816-513-3306
                                        mark_funkhouser@kcmo.org
**State of Louisiana Office of the Legislative Auditor**

**Entity audited:** State of Louisiana – Audit the Executive Branch. Also has authority to audit all units of state and local government and quasi-public entities providing public services, totaling about 4,000 government and nonprofit organizational units.

**Annual budget of entity audited:** Approximately $16 billion for FY 2003-04 (state government only)

**Number of auditors in the organization:** 30 auditors in the Performance Audit Division (212 employees total, approximately 182 are auditors)

**Reports to:** Legislative Audit Advisory Council composed of Louisiana State Representatives and Senators

**Audit standards followed:** Government Auditing Standards (U.S. GAO Yellow Book)

**Contact information:**
1600 North Third Street  
Baton Rouge, LA 70804  
225-339-3800  
www.la.state.la.us  
Other Web site of interest, Manageware:  
www.state.la.us/opb/pub/managerware.htm

**Contact for practices:** Patrick Goldsmith  
225-339-3834  
pgoldsmith@lla.state.la.us
Maricopa County, Arizona, Internal Audit

Entity audited: Maricopa County Arizona

Annual budget of entity audited: $2.5 billion

Number of auditors in the organization: 16

Reports to: Maricopa County Board of Supervisors

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book) & IIA Standards (Red Book)

Contact information: Internal Audit
301 W Jefferson #1090
Phoenix, AZ 85003
602-506-1585
http://www.maricopa.gov/internal_audit/default.asp
Metro Auditor, Portland, Oregon, Metro Area regional government

Entity audited: Metro Regional Government

Annual budget of entity audited: $294 million

Number of auditors in the organization: 3 full-time auditors, 1 elected auditor

Reports to: The elected Metro Auditor

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book)

Contact information:
Metro Auditor
600 NE Grand Avenue
Portland, OR 97232
503-797-1891
www.metro-region.org/auditor

Contact for practices:
Joe Gibbons, Sr. Auditor
503-797-1904
gibbonsj@metro.dst.or.us
Michigan Auditor General

Entity audited: State of Michigan

Annual budget of entity audited: Fiscal 2003: About $40 billion

Number of auditors in the organization: 111

Reports to: State Legislature

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book)

Contact information: Michigan Office of the Auditor General
201 N. Washington, Suite 600
Lansing, MI 48913
517-334-8050
fax 517-334-8079
http://www.state.mi.us/audgen

Milwaukee County, Wisconsin, Department of Audit

Entity audited: Milwaukee County

Annual budget of entity audited: $1.1 billion

Number of auditors in the organization: 16

Reports to: County Board of Supervisors

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book)

Contact information: 2711 W. Wells St., 9th Floor
Milwaukee, WI 53208
414-278-4206
milwaukeecounty.org

Contact for practices: Jerome Heer
414-278-4206
jheer@execpc.com

The Institute of Internal Auditors Research Foundation
Montgomery County Maryland, Office of Legislative Oversight

**Entity audited:** Any Montgomery county and bi-county agencies, as assigned by the County Council, which can include:
- County Government
- Montgomery County Public Schools
- Montgomery College
- Maryland-National Capital Park and Planning Commission
- Washington Suburban Sanitary Commission
- Housing Opportunities Commission

**Annual budget of entity audited:** Approximately $3 billion (FY 2004 Montgomery County operating budget)

**Number of auditors in the organization:** Staff includes: one director, one program evaluator, three legislative analysts, two research assistants, and one administrative aide.

Note: OLO’s staff consists of policy analysts, not “auditors.” We contract with an independent audit firm to conduct the financial statements audit work that the office is responsible for.

**Reports to:** Montgomery County Council

**Contact information:**
Office of Legislative Oversight  
100 Maryland Avenue, Room 509  
Rockville, MD 20850  
240-777-7987  
http://www.montgomerycountymd.gov/csltmpl.asp?url=/content/council/olohome.asp

**Contact for practice:** Karen Orlansky, Director  
240-777-7987  
karen.orlansky@montgomerycountymd.gov
Multnomah County, Oregon, Auditor

**Entity audited:** Multnomah County

**Annual budget of entity audited:** $905,300,000 (county budget, excludes school districts)

**Number of auditors in the organization:** 8 (6 dedicated to the county, 2 funded by a county tax measure and dedicated to auditing school districts within the county)

**Reports to:** Auditor is independent elected official

**Audit standards followed:** GAGAS (GAO Yellow Book)

**Contact information:** 503-988-3320  
www.co.multnomah.or.us/auditor

Nevada Legislative Auditor

**Entity audited:** State of Nevada executive branch agencies

**Annual budget of entity audited:** $5 billion

**Number of auditors in the organization:** 26

**Reports to:** Nevada Legislature

**Audit standards followed:** Government Auditing Standards (U.S. GAO Yellow Book)

**Contact information:** Legislative Audit Division  
401 S. Carson St.  
Carson City, NV 89701-4747  
775-684-6815  
www.leg.state.nv.us/audit

**Contact for practice:** Paul Townsend  
775-684-6815  
Audit@lcb.state.nv.us

The Institute of Internal Auditors Research Foundation
Palo Alto, California, City Auditor

Entity audited: City of Palo Alto, California

Annual budget of entity audited: General fund $109 million plus enterprise funds $210 million (including electric, gas, wastewater, water, refuse, storm drain, and wastewater treatment)

Number of auditors in the organization: 3

Reports to: City Council

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book)

Contact information: Office of the City Auditor
P.O. Box 10250
Palo Alto, CA  94303
650-329-2667
www.city.palo-alto.ca.us/auditor

Contact for practices: Sharon W. Erickson
650-329-2629
sharon.erickson@cityofpaloalto.org
**Phoenix, Arizona, City Auditor Department**

**Entity audited:** City of Phoenix

**Annual budget of entity audited:** $2.4 billion

**Number of auditors in the organization:** 26

**Reports to:** Executive Management: City Manager

**Audit standards followed:** Government Auditing Standards (U.S. GAO Yellow Book)

**Contact information:**

City Auditor Department  
17 S 2nd Ave, Room 200  
Phoenix, AZ  85003  
602-262-6641  
www.phoenix.gov/AUDITOR

Other Web site with relevant information:  
City Manager Executive Report:  
www.phoenix.gov/MGRREPT/index.html

**Contacts for practices:**

Bob Wingenroth  
602-262-6642  
bob.wingenroth@phoenix.gov

Diane Artrip  
602-435-7472  
diane.artrip@phoenix.gov
Portland, Oregon, City Auditor

Entity audited: City of Portland, Oregon

Annual budget of entity audited: $1.7 billion

Number of auditors in the organization: 8

Reports to: The elected city auditor

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book)

Contact information: 1221 SW Fourth Avenue, Rm 310
Portland, OR  97204
503-823-4005
Audit Services Division: www.portlandonline.com/auditor/auditservices
City Auditor: www.portlandonline.com/auditor

Contacts for practices:
Ellen Jean
503-823-4005
ejean@ci.portland.or.us

Ken Gavette
503-823-4005
keng@ci.portland.or.us
Prince William County, Virginia, Internal Audit

Entity audited: Prince William County government

Annual budget of entity audited: $400 million

Number of auditors in the organization: 4

Reports to: Executive Management: County Executive

Audit standards followed: IIA Standards (Red Book)

Contact information: Prince William County
Internal Audit
2241-B Tackett’s Mill Drive
Lake Ridge, VA 22192
703-792-6884
www.pw cgov.org/oem

Contact for practices: James A. Webster
703-792-6884
jawebster@pw cgov.org
Quebec Vérificateur général (Auditor General)

**Entity audited:** Government of Québec, its agencies and its enterprises (over 250 entities)

**Annual budget of entity audited:** $40 billion (US dollars)

**Number of auditors in the organization:** 180

**Reports to:** National Assembly of Québec

**Audit standards followed:** CICA- Canadian Institute of Chartered Accountants

**Contact information:**
750, boulevard Charest Est, 3e étage
Québec (Québec), Canada
G1K 9J6
Tél. : 418-691-5900
Téléc. : 418-644-4460
E-mail: verificateur.general@vgq.gouv.qc.ca
www.vgq.gouv.qc.ca
Saskatchewan Provincial Auditor

Entity audited: Government of Saskatchewan (which includes 270 departments, Crown corporations and agencies)

Annual budget of entity audited: $6 billion (U.S. dollars)

Number of auditors in the organization: 58

Reports to: Legislative Assembly of Saskatchewan

Audit standards followed: Auditing standards established by The Canadian Institute of Chartered Accountants

Contact information: 1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan, Canada
S4P 3V7
306-787-6361
www.auditor.sk.ca

Contact for practices: Michael Heffernan
306-787-6364
heffernan@auditor.sk.ca
Texas State Auditor

Entity audited: All state agencies, institutions of higher education, and any entity receiving funds from the state


Number of auditors in the organization: 150

Reports to: Legislative Audit Committee

Audit standards followed: Government Auditing Standards (U.S. GAO Yellow Book) & AICPA

Contact information: P.O. Box 12067
Austin, Texas 78711-2067
512-936-9500
www.sao.state.tx.us

Contacts for practices:

Practice 1b, 2a: Verma Elliott
512-936-5000
measures@sao.state.tx.us

Practice 4a: Linda Lansdowne
512-936-9641
llansdowne@sao.state.tx.us
Virginia Auditor of Public Accounts

**Entity audited:** Agencies and institutions in the executive and judicial branches of Virginia state government

**Annual budget of entity audited:** $25 billion

**Number of auditors in the organization:** Approximately 100 auditors

**Reports to:** Joint Legislative Audit and Review Commission (JLARC) of the Virginia State Legislature

**Audit standards followed:** Government Auditing Standards (U.S. GAO Yellow Book)

**Contact information:** Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218  
www.apa.state.va.us

**Contact for practice:** Linda Ramthun  
804-225-3350, x341  
lramthun@apa.state.va.us
**West Palm Beach, Florida, Internal Audit**

**Entity audited:** City of West Palm Beach

**Annual budget of entity audited:** $269 million, all funds

**Number of auditors in the organization:** 4 auditors, 1 management analyst

**Reports to:** Elected City Commission

**Audit standards followed:** IIA Government Auditing Standards (U.S. GAO Yellow Book)

**Contact information:**
200 2nd Street  
West Palm Beach, FL 33402  
561-659-8084  
www.cityofwpb.com/audit.htm

**Contact for practice:**  
Imogene Isaacs, Internal Auditor  
561-659-8084  
iisaacs@wpb.org
CHAPTER III-2
RESEARCH METHODOLOGY

The eight auditor roles related to performance measurement identified in two articles written earlier by the principle researchers, both published under the title “Evolving Roles for Auditors in Government Performance Measurement,” became the starting point for this research project. The methodology described here includes how the researchers revised that set of eight roles to the current framework of five roles with 14 practices, and identified the 67 examples of these practices described in Part II of this Guide.

Data Collection

This research project involved three primary data collection methods:

- An online survey using the survey capabilities of The IIA’s GAIN Web site, with responses considered from mid-October 2002 through mid-February 2003.
- Phone interviews with staff from audit organizations. Audit organizations called were selected based on two sources:
  - Online survey answers that indicated potentially promising practices by organizations whose staff answered the survey. In some cases, decisions to call organizations were based on additional answers or materials they provided in response to follow-up e-mail questions sent to them. In one case, follow-up discussions with one survey respondent (from the Auditor General’s Office of Canada) led the researchers to pursue responses from several other organizations (auditors from Canadian provinces).
  - Knowledge of the researchers of additional audit organizations with a track record of performance measurement-related practices.
- Reviews of written materials, including documentation provided to the researchers by audit organizations, and materials on these organizations’ Web sites.

The Online Survey: The online survey was used to reach out to a wide range of audit professionals knowledgeable about state and local government auditing, so they could answer questions about performance measurement-related roles and practices. The main survey objective was to identify

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potential sources of “exemplary practices.” To limit respondents as much as possible to a primary audience of professionals active in, or knowledgeable of, government auditing at the state and local level, the survey was not posted with a visible link on The IIA GAIN Web site. Instead, a link to the survey, imbedded in an invitation for responses by appropriate audit professionals, was sent to about 40 professional associations and related groups (see “Acknowledgments” in the front of this Guide) for distribution by e-mail to their own e-lists of members and associates. All organizations considered most important for distributing the survey (e.g., The IIA, the National Association of Local Government Auditors, the National Association of State Auditors, Comptrollers, and Treasurers, among others) did distribute it. There were 231 unduplicated survey responses (counting multiple respondents from the same organization once), divided by level of government as follows:

- 32 Percent Municipal
- 14 Percent County
- 37 Percent State
- 17 Percent Other (including audit trainers and others who work with government auditors)

This was a valid survey approach for purposes of outreach to identify as many potential sources of exemplary practices as practical. The online survey proved to be a cost-effective research tool. Without the survey, most organizations in this Guide would not have been identified. While the researchers could identify about eight likely local, state, and provincial audit organizations for this Guide based on their prior knowledge, the survey research and follow-up interviews and documentation reviews more than tripled the number of organizations represented with exemplary practices to the 25 audit organizations featured in this Guide.

The researchers acknowledge that a survey that obtains respondents in this way has built-in biases that can lead to questions about statistical results. But this was not intended to be a “scientific” survey with valid statistical results. Nevertheless, results of 11 “Yes/No” questions appear interesting, and are listed in Figure 3, along with two major caveats. As shown in Figure 3, seven of the practices attracted at least 33 percent positive responses and nine attracted at least 23 percent positive responses. The researchers took these results to be unexpectedly high, suggesting that more auditor efforts with respect to performance measurement may be going on than they previously thought, even if respondents were experimenting with most practices and not using them on a regular basis.

The full list of survey questions is presented at the end of this section. The survey questions were structured based on the eight roles in the articles noted above. A preliminary version of the survey was pretested with a small group of volunteers from the audit profession, and the questionnaire was revised based on their feedback.
Figure 3
Selected Results of Survey on Auditor Roles in Performance Measurement

Percentages of respondents who indicated their audit organizations perform the following 11 practices (see caveats below):

- 67% Assess the relevance of performance measures during an audit
- 63% Verify reliability of data supporting performance measures or reports
- 61% Regularly measure performance during audits
- 47% Assess existing measurement system
- 42% Conduct survey(s) that assess citizen or customer satisfaction or perceptions
- 39% Assist in establishing performance measurement systems
- 33% Assist in using performance measurement systems
- 26% Issue a performance measurement report outside of the audit process
- 23% Test or certify measures
- 9% Conduct citizen focus groups or other citizen meetings that provide input into developing performance measures
- 6% Conduct studies for citizens related to community benchmarks or quality-of-life outcomes

Caveats:
These results cannot be considered a statistically valid representation of government auditing practices at the state and local levels as a whole, for the following reasons:

- As respondents were self-selected from limited but uncontrolled lists, they cannot be considered to represent a valid, unbiased sample of the audit profession working at the state and local level of government;
- Follow-up phone calls suggest that many respondents perform some of the 11 practices noted above on an ad hoc or occasional basis, not on a regular, systematic basis. So, while relatively high percentages of positive responses to most of these questions suggest there may be a broad range of auditor activity relating to performance measurement, it is impossible to tell how “deep” that activity runs, even in responding organizations.
Development of the Framework of Roles and Practices

Many survey respondents completed optional “long-answer” questions explaining their practices, indicating a richness of roles and practices beyond the simple list of eight roles in the survey. Based on their pattern of survey answers, and the researchers’ expert judgment, the research team developed a working draft framework of five roles and 16 practices subordinate to the roles, as an initial attempt to provide a more realistic breakdown of the roles and practices of auditors with respect to government performance measurement. As noted below, this framework was reviewed from time to time during the course of the remaining research, and revised at several points to form the current framework of five roles and 14 practices.

Roles Played by Advisory Committee Members

The advisory committee members played several valuable roles. First, they reviewed the researchers’ first working draft framework of roles and practices, providing valuable comments used later by the research team to refine the roles, practices, and descriptions of practices. Next, they reviewed the initial examples drafted for each of the working draft practices, and provided four kinds of comments to the research team:

- General comments on how the roles “held up” as realistic based on the draft examples and their own professional experience, and on issues they felt were important to be addressed; these comments were used in further refinement of roles and practices, and to determine some of the issues to develop in the “Observations” section of Part I, including, for example, auditor independence, and how auditor roles and practices can evolve over time.

- Comments on which specific examples could already be considered useful for the Guide if no further information was provided, which required more information to be useful, and what additional information would be necessary or desirable to obtain for each example; these comments were used to prepare follow-up questions for audit organizations being considered for publication of “exemplary practices” in the Guide.

- Comments on how to present material in the Guide; these comments led to features of the Guide such as the summary of examples in “bullet” format at the start of each chapter in Part II.

- Suggestions for comparative information to obtain and present on audit organizations for specific practices; these comments led to the matrices comparing approaches to testing relevance and reliability of performance information in Figures 2-1 and 2-2.
Finally, advisory committee members commented on a complete draft of the Guide at the same time as The IIA Research Foundation’s review committee, providing one more round of valuable comments to the research team to help improve the final product.

**Final Selection and Revision of Examples, and Revision of the Roles-Practices Framework**

The draft examples were sent to audit organizations for verification. In addition to verifying and correcting drafts, audit offices were asked for more information for some examples based on adviser comments and researcher interest. They were also given the option to provide any added information they thought was useful. Most organizations provided additional information and documentation, some quite thorough. A few added phone interviews were held for clarification.

Based on this “verification round” of data collection and review, only about three or four examples were dropped from the Guide. Most remaining examples were revised. Also, based on these refined examples, it became difficult to distinguish between several of the 16 practices. So, several practices were consolidated, leading to the current framework of five roles and 14 practices. Additional information obtained at this stage led to about six to eight more examples being added to the final set presented in this Guide. Finally, based on a final review of information received and how all examples were revised, the full set of “Observations” was developed for Part I, and the wording of the roles, practices, and descriptions of practices was revised again in a final refinement of the framework of roles and practices.
Questions from the Auditor’s Role in Performance Measurement
Online Survey

The following survey is based on eight current and future roles that auditors can play in performance measurement. The eight roles are listed below, followed by definitions of some important terms. You can also tell us about other relevant roles your organization plays.

Role Description

a. Measuring performance during an audit.
b. Verifying the reliability and validity of reported performance information.
c. Proactively assisting management in establishing and using performance measurement systems.
d. Auditing the adequacy of existing performance measurement systems.
e. Issuing performance measurement reports outside the audit process.
f. Conducting surveys to assess citizen or customer satisfaction of services or holding citizen meetings to develop measures.
g. Interpreting measures of government performance or conducting evaluation studies of state or community benchmarks or community outcomes for citizens.
h. Reviewing citizen participation processes related to performance measurement.

Definitions of Selected Terms

Relevance – Performance information that tells you what you need to know.
Reliability – The extent to which performance information is accurate and is provided through a system that yields controlled and verifiable data.
Certification – A system for determining if a measure has met or exceeded predetermined standards of reliability, validity, and/or relevance.
Community benchmarks – Quality of life indicators and targets that describe desired outcomes of a better future for state, region, or community.
Organization – Refers to the audit organization that you work for.

We suggest that you read all questions, even those for roles you do not fully play, as you may find that you do perform parts of some role. Simply click “No” or skip questions asking about things not relevant to your audit organization. If your organization plays any roles related to performance measurement that are not captured by any combination of the eight roles described above, please describe those other roles in answer to question A14. Then please answer questions A15-A18a to the extent that they apply to you or your audit organization.
A1. Does your organization regularly measure performance when it conducts an audit?
   o Yes   o No

A2. Does your organization assess the relevance of performance measures during an audit?
   o Yes   o No

A3. If existing performance measures are not found relevant or complete during an audit, does your organization attempt to determine better or additional measures and obtain data to assess performance?
   o Yes   o No

A4. Does your organization verify the reliability of data supporting performance measures and reports for all, or a portion, of your local/state government’s measures?
   o Yes   o No

A5. Does your audit organization have a process for certifying measures?
   o Yes   o No

A6a. Has your audit organization assisted your local/state government, or any part of the government, in establishing its performance measurement system?
   o Yes   o No

A6b. Has your audit organization assisted your local/state government, or any part of the government, in using its performance measurement system?
   o Yes   o No

A6c. If you answered “Yes” to A6a or A6b, please explain the type of assistance you have provided in establishing measurement systems or in using performance measures.*

_________________________________________________________________
_________________________________________________________________

A7a. Does your audit organization assess your local/state government’s existing measurement system, or measurement system of any part of the government?
   o Yes   o No

*In the actual online survey, all open-ended questions, such as this one, provided “expandable space” for respondents to give full explanations, if desired, which some did.

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A7b. If “Yes”, do you have standard, documented criteria for such assessments?
- Yes  - No

A8a. Does your organization issue a performance measurement report outside of the audit process?
- Yes  - No

A8b. If “Yes”, is the report available on the Internet?
- Yes, please list the Web site address: ___________________________
- No

A9a. Does your audit organization conduct survey(s) that assess citizen or customer satisfaction or perceptions?
- Yes (please answer BOTH A9b & A9c)  - No (please skip forward to A10)

A9b. Is this citizen or customer satisfaction or perceptions survey work done as part of an audit(s)?
- Yes  - No

A9c. Is this survey work done as part of an assessment of performance outside of the audit process?
- Yes  - No

A10. Has your audit organization conducted citizen focus groups or other citizen meetings that provide input into developing performance measures?
- Yes  - No

A11. Does your audit organization help with interpreting measurement information for citizens?
- Yes  - No

A12. Does your audit organization conduct studies for citizens related to community benchmarks or quality-of-life outcomes?
- Yes  - No

A13. Does your audit organization review citizen participation processes related to performance measurement?
- Yes  - No
A14. Please describe any roles not listed in this survey that your audit organization plays in your state/local government’s performance measurement efforts, or provide any additional information that would be helpful for us to know regarding how your audit organization is involved in performance measurement and reporting.

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________  

A15. Please indicate if any training is conducted by, or for, your audit organization related to any of the eight roles, or other roles you listed.

<table>
<thead>
<tr>
<th>Course Title*: *If course title is unknown, briefly describe the course content</th>
<th>Organization that conducts the training:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing the relevance and reliability of measures</td>
<td>USDA GATI</td>
</tr>
<tr>
<td>Role a</td>
<td></td>
</tr>
<tr>
<td>Role b</td>
<td></td>
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<tr>
<td>Role c</td>
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<td>Role h</td>
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</tr>
<tr>
<td>Other role</td>
<td></td>
</tr>
<tr>
<td>Other role</td>
<td></td>
</tr>
</tbody>
</table>

A16. What are the most important skills your staff needs to perform any or all of these roles?

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________  

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A17. For any skills listed in question A16, what type of training is provided to your staff not already listed in A15?

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

A18a. Do you think additional training courses are needed for auditors or audit managers related to auditors’ roles in performance measurement?
   ○ Yes    ○ No

A18b. If “Yes”, please describe:

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

Part B of this survey asked for background information on the audit organization of the respondent.
REFERENCES

These references are organized in three groups in the following order:

- References organized under the jurisdiction of the audit organizations in the Guide, with a cross-reference to the practice in Part II of the Guide where it is mentioned.
- Legislation of interest by jurisdiction, mentioned in Part I or Part II of the Guide.
- General references cited in Part I or Part II of the Guide.

References by Jurisdiction of Audit Organization

Many documents listed here are accessible through the organization’s Web site (home page shown), and some at other Web sites in the jurisdiction. Additional Web addresses or navigation instructions for some documents are listed in the examples under the noted practices in Part II. Most of these are documents of the audit organization, but a few, such as Alberta’s “Measuring Up” and Phoenix’s “City Manager Executive Report,” are documents of interest published by other organizations in the jurisdiction.

Alberta Auditor General, www.oag.ab.ca Edmonton, Alberta

Best Practices in Preparing an Integrated Results Analysis – Guidelines for Government Organizations, June 2002 (Practice 4a)

Consolidated Financial Statements, 2004 (Practice 2b)

Client Satisfaction Surveys, October 1998 (Practice 4a)

Government Accountability, 1997 (Practice 4a)

Improving Communication Between You and the Auditors (Tips for Ministries on Audits of Performance Measures), April 2002 (Practice 2b)

Measuring Up, 2004 (Practice 2b)
Austin, Texas, City Auditor [www.ci.austin.tx.us/auditor](http://www.ci.austin.tx.us/auditor)

*Performance Measurement and Reporting*, 1994 (Practice 1b)

*Performance Measurement and Reporting*, 1996 (Practice 1b)

*Performance Measurement and Reporting*, 1998 (Practice 1b, 5a)

Austin, Texas, Corporate Internal Auditor

*Managing for Results for Results Business Planning Guide* (revised 2003) (Practice 2a)

British Columbia, Auditor General [www.bcauditor.com/AuditorGeneral.htm](http://www.bcauditor.com/AuditorGeneral.htm) Victoria, British Columbia

*Building Better Reports: Our Methodology for Assessing the Annual Service Plan Reports of Government* (Practice 2b)

*Building Better Reports: Our Review of the 2001/02 Reports of Government*, January 2003 (Practice 2b)

*Building Better Reports: Our Review of the 2002/03 Annual Service Plan Reports of Government*, March 2004 (Practice 2b)

*Enhancing Accountability for Performance in the British Columbia Public Sector*, June 1995 (Practice 4b)

*Enhancing Accountability for Performance: A Framework and an Implementation Plan*, April 1996 (Practice 4b)

*Enhancing Accountability for Performance in the British Columbia Public Sector: A Progress Report to the Legislative Assembly*, Spring 1997 (Practice 4b)

*Enhancing Accountability for Performance in the British Columbia Public Sector: A Progress Report to the Legislative Assembly*, January 1998 (Practice 4b)

*Performance Reporting Principles For the British Columbia Public Sector: Principles Endorsed by Government, the Select Standing Committee on Public Accounts and the Auditor General of British Columbia*, November 2003 (Practice 2b)

The Institute of Internal Auditors Research Foundation

*Reporting Principles and An Assurance Program for BC*, March 2003 (Practice 2b, 4b)

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1995 Government Accountability Act (Practice 2b)

Austin, Texas

1992 performance measurement and reporting resolution that encouraged city management to
measure performance and issue annual performance reports (Practice 5a)

British Columbia

The Budget Transparency and Accountability Act, 2000 (Practice 2b)

Florida

Government Performance and Accountability Act of 1994 (Part I of this Guide)

Florida Sharpening the Pencil Act of 2001 (Practice 1b, 4a)

Louisiana

Act # 894 requiring an assessment of agencies in their capacity to report performance progress
(Practice 2a)

Revised Statute 39:87.5 (D) (8) directs the verification of the material and accuracy of information
contained in incentive reward proposals within 30 days of submission. (Practice 2a)

Maricopa County, Arizona

County’s Managing-for-Results policy passed in fiscal 2001 (Practice 2a)
Montgomery County, Maryland

Council Resolution 13-188 indicated how agencies were to report performance measures. (Practice 5a)

Nevada

Ordinance # NRS 353 requiring state agencies to have performance measures in their budget (Practice 2a)

Portland, Oregon

Ordinance # 36123 directing the Office of Management and Finance to prepare an implementation plan for a city managing for results process (Practice 5a)

Quebec

The Public Administration Act, 2000 (Practice 2b)

Virginia

House Bill #1003 includes review and annual reporting on whether state agencies are reporting appropriate information on financial and performance measures (Practice 2a)

House Bill # 2097 included long-term strategic planning (Practice 2a)

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