

Add Value to Government Performance and Performance Audits

By testing performance measures, auditors can complement a regular performance auditing program and improve government performance and accountability.

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Performance auditing of government services is a widely accepted practice that has been in use for at least four decades. Through performance auditing, auditors add value to government performance by recommending improvements in the economy, efficiency, and effectiveness of programs. A number of high-leverage roles and practices concerning how government auditors relate to performance measurement also add value to performance and accountability, and some of these practices can increase the value of performance audits. The main focus of this article is on auditing or testing the relevance and reliability of performance measurement. Leaders in the field have found testing performance measures and data to be a faster practice to conduct than performance auditing, and, sometimes, a more far-reaching audit tool that complements a regular program of performance auditing.

NEW ROLES FOR AUDITORS

Assessing performance information is one of five major roles (see sidebar) described in the *Framework of Auditor Roles and Practices With Respect to Performance Measurement*, which is the focus of a the [project Auditor Roles in Performance Measurement](#), a partnership of The IIA, ALGA, and NASACT. The framework was first published in 2004 in the guidebook [Auditor Roles in Government Performance Measurement](#) by The Institute of Internal Auditors Research Foundation. The framework is based on practices of progressive auditors across North America who have been expanding the boundaries of how auditors strengthen government accountability and performance management.

The Five Major Roles

- **Role 1 – Audit Performance or Performance Management Systems:** Auditing or assessing performance or performance management systems.
- **Role 2 – Assess Performance Information:** Assessing the quality of performance information or performance reports.
- **Role 3 – Define or Measure Performance:** Developing performance measures or measuring performance outside the traditional audit process.
- **Role 4 – Encourage or Assist Management:** Planning, designing, improving, or advocating for performance management systems and their use.
- **Role 5 – Assist Elected Officials or Citizens:** External reporting, capacity building, or advocacy for the use of performance information.

AUDITING PERFORMANCE INFORMATION AS DISTINCT FROM PERFORMANCE AUDITING

Performance auditing has a place in the framework of auditor roles and practices as one practice in Role 1, but the framework goes well beyond that. A useful starting point for auditors to enhance the ways they improve government performance and accountability is by assessing the quality of performance information or performance reports (i.e., Role 2). The first of three practices under this role is particularly important — *Practice 2a: Test Relevance or Reliability*: Test or certify performance measurement relevance, reliability, or both.

The *relevance* of performance information refers to how well performance measures are aligned with goals and objectives, and how useful they are for accountability and for decision making by management, elected officials, and citizens. *Reliability* refers to how well defined current performance measures are, and whether data for the measures are accurate and precise enough for decision making and accountability.

Testing performance information is sometimes done as part of an agency performance audit. But some audit offices have found it valuable to test performance measures as separate audit projects in themselves, on the premise that no matter how well agencies are run, their accountability and ability to improve will be hampered by a lack of useful performance information. These “performance information audits” can be done considerably faster, and involve less auditor time (e.g., 25-40 staff hours per measure to test reliability, much less to test relevance), than full performance audits of an agency’s operations. Total time used depends on how many performance measures an audit office decides to test. Some audit offices, following the example of the [Texas State Auditor](#), assign each measure they test to a “certification category” to clarify the status of an agency’s measures and needs for improvement.

CAPTURING VALUE ADDED

Auditors' testing of performance measures adds value to the government organizations they serve by helping agencies make higher quality performance information available. Government organizations capture that value by using the information to improve accountability, decision making, and managing for results.

By assuring the quality of performance information, auditors also add value to their existing performance audit practices. When agencies have relevant, reliable performance data, auditors don't have to spend a lot of time collecting primary data to assess a program or an organization's basic performance, which frees up auditor time for higher-value activities. Audit offices have captured this value in several ways:

- **By conducting faster, more efficient performance audits.** This can happen when an audit office becomes a user of reliable performance information, as Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) has become. For example, OPPAGA used the measure of the food stamp error rate to find that high food stamp errors cost the state \$2.2 million for Fiscal Years 2001 and 2002.
- **By conducting more thorough performance audits, such as deeper evaluations of impact on the population served.** [OPPAGA does this](#) when the legislature wants an evaluation of policies or programs whose effects are not apparent from regularly reported agency performance data, as it did in an evaluation of Bright Futures scholarships. After analyzing databases on student test scores and transcripts, OPPAGA concluded 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.
- **By using reliable performance information as part of an organizationwide risk assessment to pick future performance audits.** The [Austin City Auditor does this](#). In the risk assessment model used by the Office of the City Auditor (OCA), performance trends are

a part of a planning and performance risk factor, which represents 20 percent of total risk factors — the highest-weighted factor in the model. OCA considers increases and decreases in performance, how performance compares with external benchmarks (when available), and whether adequate meaningful performance measures are in place to help the OCA find higher-value targets for its regular program of performance auditing.

Once the quality of performance information has significantly improved, 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 (i.e., part of *Role 4 – Encourage or Assist Management*).

WHO'S DOING IT?

The Texas State Auditor, the Austin City Auditor, and Florida's OPPAGA are not the only audit offices that have audited performance information. Examples of 14 local, state, and provincial audit organizations across North America that have been testing relevance and reliability of performance information are posted on the [Auditor Roles in Performance Measurement Web site](#). For the related practice of [assuring performance reports, examples of five audit organizations](#) are provided.

RESOURCES AND TRAINING FOR INCORPORATING THESE ROLES INTO AN AUDIT PRACTICE

The web site www.auditorroles.org, developed in partnership with The IIA, is an online informational and training resource center focused on auditor roles in performance measurement. The site includes, for the first time, a free download of the book, [Auditor Roles in Government Performance Measurement](#) and other informational materials including:

- A [comprehensive overview](#) of the *Framework of Auditor Roles and Practices With Respect to Performance Measurement*.
- [Detailed examples](#) and [case studies](#) of audit organizations engaged in this work and [profiles of audit organizations](#) featured in the examples.
- A practical hands-on [toolkit for auditors](#) that includes data collection instruments, methodologies for various practices, guidance papers, audit criteria, audit steps, and full audit programs. There are a particularly [large number of tools posted for Role 2 — Assess Performance Information](#).
- [Professional context](#) for these auditor roles and practices, including the historical evolution of the roles and practices, broader models of government performance, and special professional issues of concern (e.g., maintaining auditor independence).
- An extensive [resource library with links](#) to other sources of relevant information.

In addition to the content on the Web site, [training courses](#) are provided as part of this project. The course "A New Service Model: Auditor Roles in Government Performance Measurement" can help auditors determine their best opportunities for adapting new practices to use in the government organizations they serve. The courses "Assessing the Quality of Performance Information and Performance Reports" and "Assessing the Reliability and Relevance of Performance Information" are particularly focused on Role 2. These courses were well received in 2007 at a variety of professional auditing conferences and events and are being provided again in 2008 when on-site training will be available to audit organizations or professional groups. Additional courses will be available in the latter part of 2008. For more information, send a message through the [Contact Us](#) page of the Web site.

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