Performance Measures: Not Just for Auditees

Mid-America Intergovernmental Audit Forum

December 7, 2017

Douglas Jones, City Auditor

Office of the City Auditor – Kansas City, Missouri

Why Performance Measures?

Percent of residents rating services good or excellent

Library circulation per capita

Percent of fires contained

Average call wait times

Cost per lane mile

Crime rate

Revenue per capita

Number of potholes filled

Why Should Audit Organizations Measure Their Performance?

- Manage work
- Monitor performance
- Report results
- Accountability
- Demonstrate value

Audit Organization Performance Measures Project

- Guidance and examples of indicators.
- Measuring audit function impact and performance.
- Not an exhaustive or normative list.
- Organizations should pick and choose, and modify based on circumstances and experience.

Methodology

141 Performance Measures

Narrowed down to 44 measures with at least 1 vote

Further narrowed down to 11 measures with at least 3 votes

ALGA Guidance on Performance Measures for Audit Organizations

- Quantitative and Qualitative measures.
- Relevance of performance measure.
- What data is needed to calculate performance measure.
- How to calculate each performance measure.

Considerations in Use of Performance Measures Guide

- There isn’t a “one size fits all” set of performance measures.

- Audit shops should develop their own specific measures that best meet their needs.

Types of Performance Measures

Quality Measures

1. Percent of Staff with Professional Certifications *and/or* Advanced Degrees

2. Percent of Staff Meeting Continuing Professional Education Requirements *and/or* Average number of CPE Hours per Audit Staff

3. Results of External Peer Review

Percent of Staff with Professional Certifications and/or Advanced Degree

WHAT YOU NEED

- # OF AUDIT STAFF
- # OF AUDIT STAFF WITH PROF. CERTIFICATIONS
- # OF AUDIT STAFF WITH ADV. DEGREES

HIGHLIGHT QUALIFICATIONS & COMPETENCE

BY REPORTING PERCENTAGE OF AUDIT STAFF

Percent of Staff Meeting CPE Requirements and/or Average Number of CPEs per Audit Staff

WHAT YOU NEED

- # OF CPE HOURS REQUIRED PER STAFF
- # OF ACTUAL CPE HOURS EARNED PER STAFF
- # OF TOTAL CPE HOURS

TRACKING CPE TRAINING & HOURS

BY REPORTING PERCENTAGE OF AUDIT STAFF

Results of External Peer Review

WHAT YOU NEED

- PREVIOUS PEER REVIEW REPORT
- MOST RECENT PEER REVIEW REPORT

RESULTS OF EXTERNAL PEER REVIEW

PROVIDES INDEPENDENT OPINION ON COMPLIANCE WITH GOVERNMENT AUDITING STANDARDS

Outcome Measures

4. Estimated *Direct* Financial Impact

5. Estimated *Indirect* Financial Impact

6. Estimated Non-Financial Impact

7. Percent of Audit Recommendations agreed to by Management

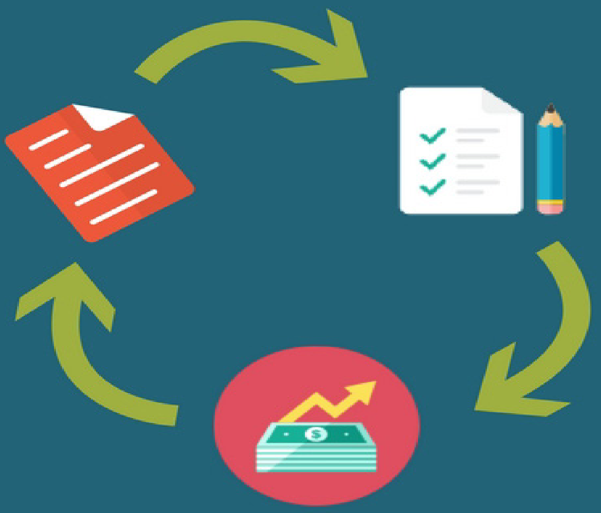
8. Percent of Audit Recommendations Implemented

Estimated *Direct* Financial Impact

WHAT YOU NEED

- ONE TIME : ACTUAL/ESTIMATE FINANCIAL IMPACT
- RECURRING : ACTUAL/ESTIMATE FINANCIAL IMPACT

IDENTIFY DIRECT FINANCIAL IMPACT RELATED TO AUDIT FINDINGS



Estimated *Indirect* Financial Impact

WHAT YOU NEED

- ONE TIME : ACTUAL/ESTIMATE FINANCIAL IMPACT
- RECURRING : ACTUAL/ESTIMATE FINANCIAL IMPACT

Estimated Non-Financial Impact

WHAT YOU NEED

- ESTIMATED IMPROVEMENTS
- ACTUAL IMPROVEMENTS

BENEFITS THAT HAVE A NON-FINANCIAL IMPACT

Percent of Audit Recommendations agreed to by Management

WHAT YOU NEED

- NUMBER OF RECOMMENDATIONS
- NUMBER OF RECOMMENDATIONS AGREED BY MANAGMENT
- TAREGT/GOAL

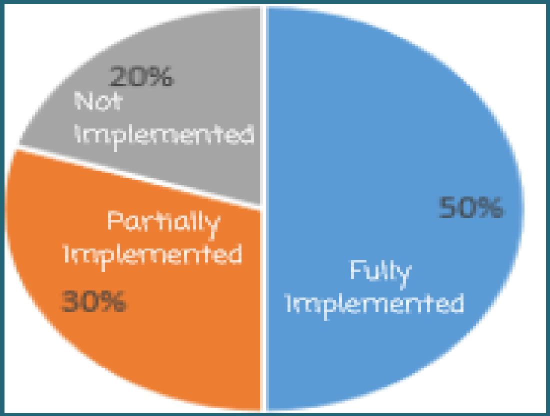
PRECENT OF AUDIT RECOMMENDATIONS AGREED TO BY MANAGEMENT

Percent of Audit Recommendations Implemented

WHAT YOU NEED

- NUMBER OF AUDIT RECOMMENDATIONS
- NUMBER OF RECOMMENDATIONS IMPLEMENTED
- TARGET/GOAL

STATUS OF AUDIT RECOMMENDATIONS IMPLEMENTED



Output Measures

9. Number/Percent of Planned Audits Issued

10. Number of Non-Audit Services Reports Issued/provided and/or Percent of Direct Hours allocated to Non-Audit Services

Number/Percent of Planned Audits Issued

WHAT YOU NEED

- Number of Audits Issued
- Goal for Number of Audits Issued, or
  Number of Audits in Annual Plan
- Number of Audits in Annual Plan Issued
- Goal for % of Audits from Plan issued

PLANNED AUDITS ISSUED

Number of Non Audit Services provided and/or Percent of Direct Hours Allocated to Non Audit Services

WHAT YOU NEED

- Number of Nonaudits Services Provided/Reports Issued
- Goal for Number of Nonaudits Services Provided/Reports Issued
- Nonaudit Service Hours and Total Direct Hours

NONAUDIT SERVICES

Efficiency Measures

11. Average Staff Hours per Audit

Average Staff Hours Per Audit

WHAT YOU NEED

- Number of Audit Reports
- Total Hours for Audit Reports
- Target for the Average Hours per Audit

TRACK PROJECT HOURS

Input Measures

- Ratio of Direct, Indirect and Benefit Hours to Total Hours

Ratio of Direct, Indirect and Benefit Hours to total Hours

WHAT YOU NEED

- Direct Hour (audits, nonaudit services, projects)
- Indirect Hours (meetings, training, travel, admin, etc.)
- Benefits Hours (vacation, sick leave, etc.)
- Goal for % of total hours represented for each service

RATIO OF HOURS PER SERVICE

Kansas City

Exhibit 3. City Auditor's Office Performance Measures

Performance Measures	Fiscal Years		
	2015	2016	2017
Inputs			
Expenditures	$1,222,362	$1,251,889	$1,270,074
Auditors	8	8	7
Outputs			
Reports Issued	7	10	9
Memoranda	2	1	2
Outcomes			
Recommendation Agreement Rate	91%	100%	91%
Potential Financial Impact	$493,845	$10,000	$0
Efficiency			
Average Hours per Report	1,534	913	1,446

San Jose

CITY AUDITOR

The City Auditor's Office conducts performance audits that identify ways to increase the economy, efficiency, effectiveness, and accountability of City government and provide independent, reliable, accurate, and timely information to the City Council and other stakeholders. The Office also oversees a variety of external audits including the Comprehensive Annual Financial Report (CAFR) and the Single Audit.

The City Auditor's annual work plan is on the web along with copies of all issued audit reports and the semi-annual recommendation status reports.

The Office's operating budget totaled $2.4 million* in 2015-16. Staffing remained at 15 positions; this was 2 positions less than 10 years ago.

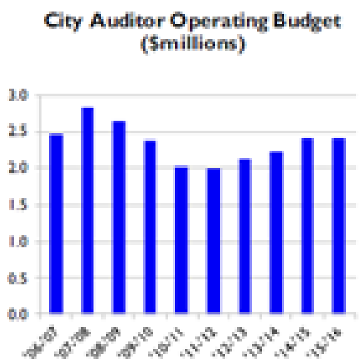
In 2015-16, the City Auditor's Office identified $5 million in monetary benefits from its audit recommendations, or $2.07 in savings for every $1 spent on audit costs in 2015-16 (target: $4 to $1). Identified monetary benefits vary from year to year based on the types of audits that are conducted.

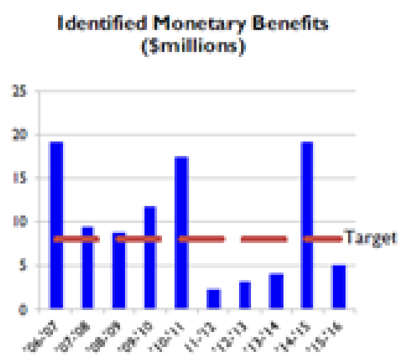
In addition to expenditures paid out of its operating budget, the City Auditor's Office was also responsible for $320,000 in actual Citywide expenses in 2015-16 for the annual audit, bond project audits, and the grant compliance single audit.

KEY FACTS (2015-16)	
Number of audit reports issued	19
Number of audit recommendations adopted	77
Number of audit reports per auditor	1.6
Ratio of identified monetary benefits to audit cost	$2.07 to $1
Percent of approved work plan completed or substantially completed during the fiscal year	63%

Subject area audits issued in 2015-16 include:

- *Golf Courses*
- *Police Hiring*
- *2014-15 Annual Performance Audit of Team San Jose*
- *Personnel Investigation Structure*
- *Annual Report on City Services FY 2014-15*
- *Measuring San José's Financial Condition*
- *Street Sweeping*
- *City's Use and Coordination of Volunteers*
- *Technology Deployments*
- *Recycled Water*
- *Police Response to Animal Calls for Service*
- *City Clerk's Office*





48

City of San José – Annual Report on City Services 2015-16

Long Beach

LONG BEACH CITY AUDITOR

LAURA DOUD

INDEPENDENCE YOU CAN RELY ON

CITY AUDITOR'S REPORT ON RESULTS

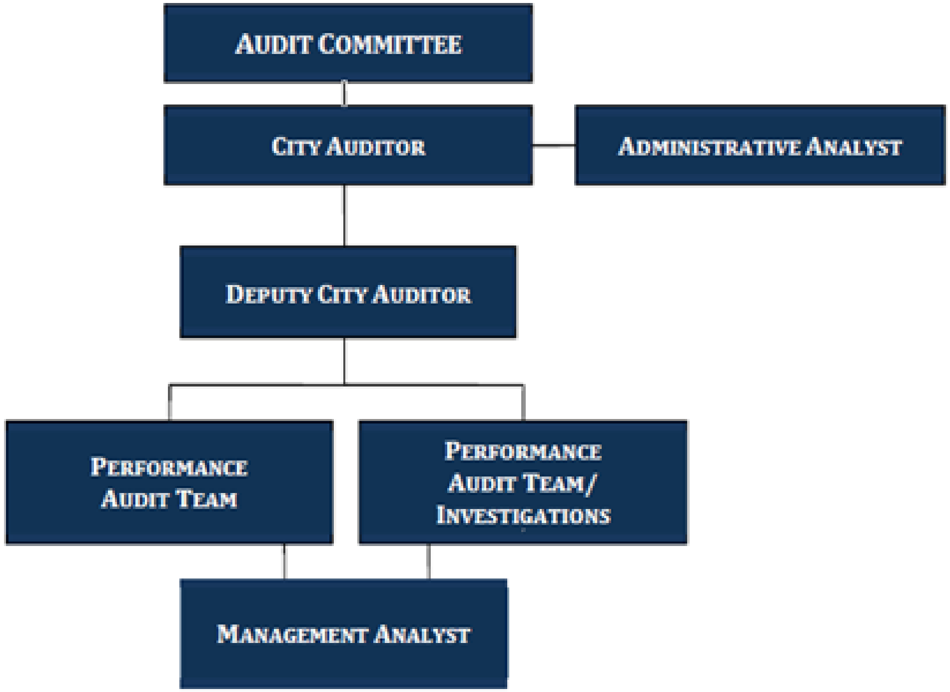
DEPARTMENTS IMPLEMENTED 71% OF OUR RECOMMENDATIONS RESULTING IN $80 MILLION OF CITY REVENUE BEING MORE SECURE

THE MISSION OF THE CITY AUDITOR'S OFFICE IS TO CREATE REAL, POSITIVE CHANGE WITHIN OUR CITY government by making reasonable, useful and worthwhile recommendations while continuously focusing on increasing and protecting the City's revenues, safeguarding the City's assets and reducing the potential for fraud.

From 2010-2014, the City Auditor's Office issued 53 reports containing 256 active recommendations to 16 City departments. This report summarizes the status of the 256 active recommendations provided by departments. Due to the extensive number of recommendations, information provided by departments was not verified, but is subject to follow-up audit procedures in the future.

Atlanta

ORGANIZATIONAL CHART
AUDITOR'S OFFICE



PERFORMANCE METRICS
AUDITOR'S OFFICE

PERFORMANCE MEASURE	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 TARGET	FY2018 TARGET
Fiscal Accountability & Governmental Efficiency				
Number of audit reports released	7	6	10	10
Average staff hours per audit	1,843	1,234	1,625	1,650
Recommendation agreement rate	96%	79%	98%	95%
Recommendations closed	38	75	50	75
Percent of closed recommendations implemented	74%	52%	65%	65%
Percent of professional staff with advanced degrees or certification	75%	67%	71%	80%

U.S. Govt Accountability Office

Figure 1: Financial Benefits GAO Recorded

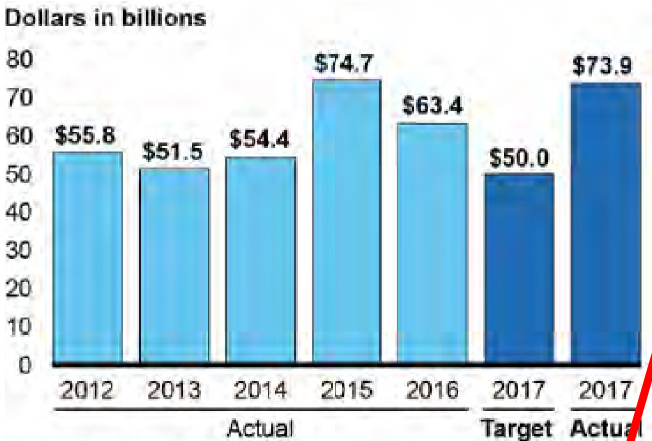


Figure 3: Percentage of Past Recommendations Implemented

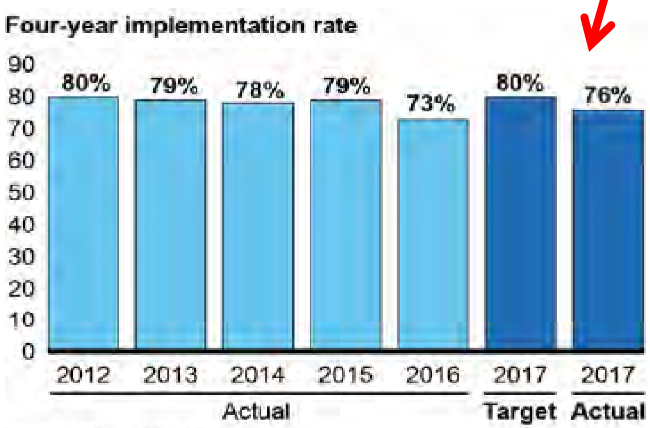


Table 2: Agency-wide Summary of Annual Measures and Targets

Performance measure	2012 actual	2013 actual	2014 actual	2015 actual	2016 actual	2017 target	2017 actual	Met/ not met	2018 target
Results									
Financial benefits (dollars in billions)	$55.8	$51.5	$54.4	$74.7	$63.4	$50.0	$73.9	Met	$50.0
Other benefits	1,440	1,314	1,288	1,286	1,234	1,200	1,280	Met	1,200
Past recommendations implemented	80%	79%	78%	79%[e]	73%	80%	76%	Not met	80%
New products with recommendations	67%	63%	64%	66%[e]	68%	60%	63%	Met	60%
Client									
Testimonies	159	114	129	109	119[f]	120	99	Not met	120
Timeliness	95%	94%	95%	98%	94%	90%	96%	Met	90%
People									
New hire rate	76%	66%	88%	83%	81%	80%	83%	Met	80%
Retention rate									
With retirements	93%	93%	94%	94%	93%	92%	94%	Met	92%
Without retirements	96%	96%	97%	96%	96%	96%	97%	Met	96%
Staff development	80%	80%	83%	84%	83%	80%	84%	Met	80%
Staff utilization	76%	75%	77%	79%	79%	76%	80%	Met	76%
Effective leadership by supervisors	82%	83%	83%	83%	85%	82%	84%	Met	82%
Organizational climate	78%	77%	79%	80%	81%	76%	83%	Met	76%
Internal operations									
Help get job done	N/A[a]	82%	82%	80%	N/A[b,c]	80%	84%	Met	80%
Quality of work life	N/A[a]	78%	78%	78%	N/A[b,c]	80%	82%	Met	80%
IT tools	N/A[a]	68%[d]	65%	67%	N/A[b,c]	80%	74%	Not met	80%

Source: GAO. \| GAO-18-2SP

How will you demonstrate your accountability?

- Quality Measures (3)
- Outcome Measures (5)
- Output Measures (2)
- Efficiency Measure (1)
- Input Measure (1)

Questions???


THEY'RE MORE WHAT YOU'D CALL GUIDELINES
THAN ACTUAL RULES
quickmeme.com

Get Your Copy of the Performance Measure Guidance

ALGA

Association of Local Government Auditors

Performance Measures for Audit Organizations

- https://algaonline.org Resources>Guides & Reports, scroll to “Advocating for Auditing”
- Subcommittee / Credits:
  - Sharon Erickson, City Auditor, San Jose, CA
  - Doug Jones, City Auditor, Kansas City, MO
  - Amanda Noble, City Auditor, Atlanta, GA
  - Jay Poole, City Auditor, Chesapeake, MD
  - Neha Sharma, Assistant City Auditor, Austin, TX