Auditor Roles in Government Performance Measurement

Presentation to the Florida Audit Forum

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Presenter
Stuart S. Grifel
Audit Services Division
Palm Beach County Clerk and Comptroller's Office
sgrifel@mypalmbeachclerk.com
561-355-6782

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

Project Mission

Advance how auditors contribute to improving government performance and accountability by stimulating

greater auditor involvement in improving how public performance is measured and managed.

What Services Does the Sloan-IIA Auditor Roles in Performance Measurement Project Provide?

- *Multifunctional, regularly updated website* with examples from practice, tools, & resources to support auditors pursuing any of the defined auditor roles.

- *Training courses* to support development and implementation of any of the defined auditor roles your organization may consider establishing or strengthening.

- *Advocacy, including special presentations & dialogs* at conferences, meetings, and other events to *encourage auditors* and *non-audit officials* to support auditors' improving government performance measurement and management.

The five roles that emerged from practice-based research include two "traditional" auditor roles:

Role 1: Audit Performance or PM Systems:

Auditing Performance or Performance Management Systems

Role 2: Assess Performance Information:

Assessing the Quality of Performance Information or Performance Reports

… and three "nontraditional" roles for auditors:

Role 3: Define or Measure Performance:

Developing Performance Measures or Measuring Performance *Outside the Traditional Audit Process*

Role 4: Encourage or Assist Management:

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

Role 5: Assist Elected Officials or Citizens:

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

The 5 roles are from a *framework of roles & practices* based on research of what innovative auditors actually do, published in:

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, and Stephen L. Morgan

Published by The IIA Research Foundation

Download this book FREE here

(from www.AuditorRoles.org)

Key Lessons from Practice-based Research

- ***Auditors can add credibility*** to performance information, which can increase the value and use of performance information for decision making and accountability.

- ***Auditors can be effective advocates for improvement*** of performance measurement and performance management systems of the government organizations they serve, ***both internally*** *(with management)* ***and externally*** *(with elected officials and citizens).*

- ***Auditors can play multiple roles*** with respect to performance measurement, and ***can increase the value they add to their governments by changing the roles they play over time*** as performance management evolves in the entities they audit.

    Project website has <u>case histories</u> *demonstrating added value with changing roles, and* <u>contextual pages</u> *with additional lessons learned, contextual models, and key auditor issues.*

Auditor Roles in Government Performance Measurement Website Has:

- <u>Professional Context & Issues</u>**,** e.g., contextual models, independence issues.

- <u>Exemplary Practices</u>**:** numerous examples from audit offices across North America, many with links to reports.

- <u>Tools for Auditors</u>**,** e.g., criteria, audit programs & steps, checklists, guidance for audit staff or auditees.

- <u>Case Histories</u> of how audit offices have changed roles & practices over the years to add more value.

- <u>Training Courses & Schedule</u>

- <u>Topical Articles</u>

  See sample webpage images that follow:

Advancing Government Performance:
Auditor Roles in Performance Measurement

Professional Context | Exemplary Practices | Auditor Toolkit | Training | Case Histories | Links and Resources | Contact Us

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The Institute of Internal Auditors

ASSOCIATION OF LOCAL GOVERNMENT AUDITORS

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ALFRED P. SLOAN FOUNDATION

Audit Performance or PM Systems — Assess Performance Information — Define or Measure Performance — Encourage or Assist Management — Assist Elected Officials or Citizens — *Effective Accountable Government*

GUIDE TO AUDITOR ROLES
Free Download

Auditors Add Value to Government Performance

A new *Framework of Auditor Roles and Practices* gives auditors a wide array of tools and methods to improve how government performance is measured and managed.

NEW! Add Value by Auditing Performance Management Systems ... more
NEW! Add Value by Testing Performance Measures ... more
More Value-Added & Related Articles ... more

Featured Audit Tools

- Business planning audit criteria (DOC)
- Performance information audit criteria (DOC)
- Human resource management audit criteria (DOC)

Auditor Outreach

Auditors engage managers, elected officials, and citizens to make a bigger difference ... Read more

More News on Auditors' Practices that Add Value

2008 Courses & Locations

- *NEW!* Virginia auditor finds ways to improve statewide performance management systems and practices ... more
- *NEW!* King County, WA, Auditor facilitates work group that improves goal alignment in budgets and strategic plans ... more
- More examples of of value-added

Low-cost CPE courses to:

- Learn all the practices of this new discipline
- Assess the quality of performance

Low Cost Training for Government Auditors

GUIDE TO AUDITOR ROLES
Free Download

ROLE 2: Assess Performance Information:
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 relevance or reliability: Test or certify performance measurement relevance, reliability, or both.

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. In addition to auditing standards, such as those promulgated by The IIA, the U.S. GAO, or CICA (in Canada) attestation standards may be used to guide or support this practice. In the United States, attestation standards issued by the AICPA may be used.

The **Austin**, Texas, Office of the City Auditor (OCA) has been reviewing City departments' performance measures since 1985. For more recent reliability testing, OCA has developed guidance documents and has been using data mining software for less reliance on sampling, and GIS software for testing geographic-based performance measures ... Read more

The **Austin,** Texas, Corporate Internal Auditor's Office has been conducting formal performance certification reviews using its 17-step process since 2002. Corporate Internal Audit has also developed a process by which department staff can assess the accuracy of their own performance data and system controls. ... Read more

In **British Columbia,** the Office of the Auditor General focused on relevance of performance measures and prepared a discussion paper on the topic. The paper explores how to audit the relevance of performance measures using 3 criteria and also discusses the applicability of direct audits versus attestation for assessing relevance. ... Read more

The **Colorado Springs,** Colorado, City Auditor conducted several years of multi-department audits of measures entailing several mechanisms for ensuring relevance and reliability as well as comparability and cost-effectiveness. This has helped tighten up performance measurement so that the emphasis for verifying performance measures is now on specific

ROLE 2: Assess Performance Information:

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

Austin, Texas, Corporate Internal Audit [Profile]

The City's Corporate Internal Audit Office has been conducting formal performance measurement certification audits since 2002. Currently, Corporate Internal Audit devotes 500 to 1,000 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 ten steps in the Texas example above. The Austin certification process formally runs 17 steps by incorporating additional steps common to most performance audits (see list of steps and audit program under "tools"). To date, Corporate Internal Audit has completed audits of performance measures in five departments and has performed follow-up reviews in three. On average, the time necessary to audit a single performance measure is 30 to 40 staff hours.

In 2003, the Corporate Internal Office developed a process that departments can use to assess the accuracy of their own measures, and trained department representatives in conducting self-assessments. The performance measures self-assessment steps, available below as a "tool," are available to city departments on the web as Appendix A of the City of Austin's *Managing for Results Resource Guide for Business Planning* (revised 2005).

Tools:

- List of Certification Audit Steps (DOC)
- Certification Audit Program (DOC)
- Department Measures Self-assessment Steps (DOC)

Reports:

Managing for Results Resource Guide for Business Planning (revised 2005)

ABOUT THIS PROJECT | PROFESSIONAL CONTEXT | EXEMPLARY PRACTICES | AUDITOR TOOLKIT | TRAINING | CASE HISTORIES | LINKS AND RESOURCES

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Role 2: Assess Performance Information

Tools for Practice 2a. Test Relevance or Reliability

- Austin City Auditor: Guidance on Testing Data Reliability (PDF)
- Austin City Auditor: Overview of Testing Data Reliability (PDF)
- Austin, Texas, Corporate Internal Audit: List of Certification Audit Steps (DOC)
- Austin, Texas, Corporate Internal Audit: Certification Audit Program (DOC)
- Austin, Texas, Corporate Internal Audit: Department Measures Self-assessment Steps (DOC)
- British Columbia Auditor General: Assuring Relevance of Measures in Performance Reports: Methodology Discussion Paper (2005) (DOC)
- Colorado Springs, Colorado, City Auditor: Audit Program for Performance Data Verification (DOC)
- Colorado Springs, Colorado, City Auditor: Performance Measures Attribute Testing (DOC)
- Colorado Springs, Colorado, City Auditor: Performance Measure Data Collection Form (DOC)
- Maricopa County, Arizona, Internal Audit: Performance Measurement Certification Program Information Package (PDF)
- Prince William County, Virginia, Internal Audit: What is a Performance Measures Audit? (DOC)
- Texas State Auditor: The Ten Steps of the Texas State Auditor's Performance Measures Certification Process (DOC)

Tools for Practice 2b. Assure Performance Reports

- Alberta Auditor General: The OAG's checking procedures for 2006 (DOC)
- British Columbia Auditor General: Building Better Reports: Our Methodology for Assessing the Annual Service Plan Reports of Government (PDF)
- British Columbia Auditor General: Reporting Principles and An Assurance Program for BC (PDF)
- British Columbia Auditor General: Threshold Approach – A New Approach for Assessing and Auditing Public Performance Reports (2006 Working Draft) (PDF)

Training Courses for 2008

- **A New Service Model: Auditor Roles in Government Performance Measurement:** *Overview of All Roles: **Determine Your Best Opportunities to Add or Improve Roles or Practices.***

- **Assessing the Quality of Performance Information and Performance Reports:** *Role 2: Assess Performance Information, **Emphasis on Auditing Relevance & Performance Reports.***

- **Assessing the Reliability and Relevance of Performance Information:** *Role 2: Assess Performance Information, **Emphasis on Auditing Reliability.***

- ***Coming in fall 2008:* Auditing Performance Management Systems** (Role 1, Practice 1b) ***Add value to government performance by finding ways to improve systems used to measure, manage, and improve results.***

  Click *here* for course dates, locations, & registration contacts. *Contact us* to arrange a course for your organization, association, or chapter. *More courses on remaining roles in 2009.*

Each role has several specific auditor practices:

Role 1. Audit Performance or PM Systems

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

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

Role 1, Practice 1a —
Measure or assess performance during an audit or other study based on authoritative auditing standards. (See Austin, Florida OPPAGA, Kansas City, Phoenix on www.AuditorRoles.org)

- Identify the program's inputs, processes, outputs, and outcomes

- Develop and implement "ad hoc" performance measurement system

- Using performance expectations as "criteria" and measures as "condition," analyze program performance

- Identify causes of variances and develop audit recommendations

Role 1, Practice 1b —

Audit Performance Management Systems or Practices

- Determine if existing performance accountability or measurement systems are adequate

- Compare to models, guidelines, requirements, or other criteria

- Recommend system improvements

Examples at www.AuditorRoles.org

Models to aid *Practice 1b. Audit performance management systems.*
Many "Managing for Results" Models Are Available to Provide Criteria for Performance Management Systems Audits

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

Plan
Strategic & Annual
Planning

Do
Performance
Budgeting

Check
Performance
Measurement &
Reporting

Act
Performance-based
Decision Making

Role 2. Assess Performance Information Practices:

- **<u>Practice 2a. Test Relevance or Reliability</u>:** Test or certify performance measurement relevance, reliability, or both.

- **<u>Practice 2b. Assure Performance Reports</u>:** Audit, attest to, assure, or certify external performance reports.

- **<u>Practice 2c. Support External Review</u>:** Support external review processes to assess and improve performance information or reporting, or the performance basis for planning, budgeting, or other decision making.

Role 2. Assess Performance Information:
Practice 2b: Assure Performance Reports

Audit, attest to, assure, or certify performance reports, e.g.:

- Alberta

- British Columbia

- Quebec

- Saskatchewan

- Milwaukee County, Wisconsin

Examples at www.AuditorRoles.org

Tools to Aid
Practice 2b. Assure performance reports
Example:

State and Local Government Reporting Criteria

SPECIAL REPORT

Reporting Performance Information:
Suggested Criteria for
Effective Communication

August 2003

Principal Researchers:
James Fountain
Wilson Campbell
Terry Patton
Paul Epstein
Mandi Cohn

Contributors:
Mark Abrahams
Jonathan Walters

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

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

GASB Criteria for Effective Reporting - Introduction

- *Special Report: Reporting Performance Information: Suggested Criteria for Effective Communication* (2003)

- Evaluate performance reports using 16 criteria

- Characteristics for effective communication of financial and performance information – relevant, understandable, comparable, timely, consistent, and reliable.

Role 2, Practice 2c —

Support External Review

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

- AGA's Certificate of Excellence in Accountability Reporting (CEAR) Program (U.S. Federal)

- AGA's Service Efforts and Accomplishments Reporting (SEA) Program, including Certificate of Achievement awards (U.S. State & Local)

- National Center for Civic Innovation's (NCCI) Performance Reporting "Trailblazer" grants (U.S. and Canada, local, state, & provincial)

AGA Certificate of Excellence in Service Efforts and Accomplishments Reporting

- Reviewers evaluate performance reports submitted by local and state governments.

- Recognize excellent reports with a certificate of excellence.

- Each performance report was reviewed by performance measurement experts and received comments on:

  - Strengths and weaknesses of the report

  - Recommendations for improving report structure and content

  - A score for the report

- Reviewer guidelines based on GASB's suggested criteria for effective reporting of performance information.

AGA National Citizen-Centric Government Reporting Initiative

- Begun in March 2007. Forty governments currently publishing reports. http://www.agacgfm.org/citizen/default.aspx

- Purpose: To publish an annual "state of the government" report that is no more than four pages long that give citizens a better understanding of their government and inform a more meaningful debate about fiscal priorities, performance results and future challenges.

- Content Guidelines

    Page 1: About the Community

    Page 2: How Are We Doing – A Performance Report on Key Mission and Service

    Page 3: What are the costs for servicing the citizens and how were those costs paid for?

    Page 4: What's Next? Future Challenges and Economic Outlook

The City of Saco, ME
A Report to Our Citizens

Table of Contents

City Government

The City operates under the mayor-council-city administrator form of government. Policy making and legislative authority are vested in the seven member City Council, which is elected on a non-partisan basis. The mayor and seven council members are elected to two-year terms from seven districts (wards). The City Council is responsible, among other things, for:

- passing ordinances
- adopting the budget
- confirming mayoral nominations of committees and the City Administrator

The City Administrator is responsible for:

- carrying out the policies and ordinances of the City Council
- overseeing the day-to-day operations of the City
- appointing the heads of City departments, some with City Council confirmation

The City of Saco is a full service provider, with services that include:

- police and fire protection
- waste water collection and treatment
- snow removal and road maintenance
- parks and recreation
- code enforcement and building inspection

Each department is responsible for providing services to the citizens within the Saco community. Services may be extended beyond city limits through mutual aid agreements. Eleven departments (including the School Department) operate within the city, with a mixture of appointed and elected officials as department heads.

Vision Statement

Our vision is a high quality of life for Saco Citizens:

- Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future.
- The people of Saco bring this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity.

City Organization and Information

The City of Saco employs 164 full time (excluding education). Property taxes generate $23 million, plus state aid and other funds total to $42.1 million in revenues (2006 budget). Of those dollars, 30.13% (24.57% in 2005) or just over $12 million are dedicated to city services, for a per capita cost of $738.42 ($595.44 in 2005).

Another way to consider this impact is that the average home in Saco with a value of $150,000 paid total property taxes in fiscal year 2006 of $1,944 ($2,385 in 2005). Of this total, $585.64 (30.13%) was to pay for city services. This per median home contribution to fund city services breaks down as follows:

	$ Expenses	
	2006	2005
Assessing	9.63	10.73
City Clerk/General Assistance	10.31	10.49
Fire	114.96	106.37
Finance	21.53	19.80
Public Works	198.59	222.76
Code Enforcement	13.25	11.45
Police	154.58	144.53
Human Resources	12.06	11.45
Planning & Economic Development	14.18	13.84
Parks & Recreation	36.59	34.59
	585.64	586.00
Total Property Taxes ($150,000 home)	1,944.00	2,385.00
Percentage Dedicated to Fund City Services	30.13%	24.57%

The City's strategic plan and alignment process provides direction for the management of the City and aligns departmental objectives with the nine major strategic goal areas.

Strategic Alignment Process

Vision
Strategic Goals
Strategic Plan
Strategic Objectives
Milestones (Outcomes)
Performance Measurement
Performance Pay
Feedback

Alignment

Strategic Goals

Strategic goals are general statements of purpose that pertain to how the City achieves its mission and vision. The strategic goal generally addresses end results rather than specific actions. A goal provides a framework and direction for city departments to align their objectives and plans to achieve their goals.

- Downtown Revitalization
- Infrastructure and Capital Development & Maintenance
- Growth Management
- Meeting New Environmental Regulation Challenges
- Technological Innovation & Implementation
- Human Resource Investment
- Leisure Services Investment
- Meeting the Financial Needs for City Services
- Public Safety

Main Street, Saco, Maine

How We Have Progressed
Progress in Fiscal Year 2006

Main Street, Saco, Maine
Image courtesy of http://www.sacomaine.org

City Service Statistics

Fire/Ambulance Protection

Fire calls answered	527
Ambulance calls answered	1,846
Inspections done	311

Police Protection

Call volume	25,644
Traffic stops	6,681
Traffic summons	1,942
Warnings issued	4,548
Traffic related arrests	273
Non-traffic arrests & summons	952
Issued parking tickets	913

Sewerage System

Miles of sanitary & storm sewers	513
Pump stations	29
Daily average treatment (gallon)	2.52 million

Building Inspection

Permits issued	598

Public Works

Number of roads maintained	384
Land miles of roads maintained	257
Acres of public area maintained	379

Significant Accomplishments: Fiscal Year 2005-2006

- "Second Annual Performance Measurement Report" completed and received a National Award for Excellence from the Association of Government Accountants (AGA);
- 5th Certificate of Achievement for Excellence in Financial Reporting, awarded by the Governmental Finance Officers Association (GFOA) for their fiscal year 2005 Comprehensive Annual Financial Statement;
- Completed an update to aerial photography reflecting recent development within the City;
- Completed the Park North Tax Incremental Financing District (TIF) providing the funding mechanism to run approximately $8 million of sewer up Route One towards Scarborough;
- City adopted international building codes;
- 4th Distinguished Budget Presentation Award from GFOA for FY 2006 budget;
- Completed renovations making the community center handicapped accessible;
- The Environmental Protection Agency (EPA) recognized the city for outstanding re-use of its superfund site with the completion of three new recreational fields on the area;
- A new transfer station access card program was implemented thus digitizing the old manual process;
- City and school departments merged their information technology departments for greater efficiency;
- State of Maine "Public Law 2" tax levy limitations were met;
- Purchased two properties to preserve as open space with the open space bond proceeds;
- Completed the Main Street/Pepperell Square project;
- Completed the Mill Brook Industrial Park on Route One;
- Completed 90% of their major waste water treatment plant upgrades totaling approximately $4 million which puts the plant 14 years ahead within their CSO Master Plan;
- Completed a review and analysis of all city owner property and marketed and disposed of those deemed appropriate for sale.

Performance Measurement Findings

Findings this year on the governmental performance of the City of Saco still offer good news for the city organization and the greater community, both in terms of recognition of successes and insights into areas for improvement. Highlights from the city departments' own performance assessments that follow include:

- The City's Distinguished Budget Presentation completed on time and recognized with a national award.
- Continuing road work with 86% of all roads achieving satisfactory ratings.
- Average response time of 4.5 hours to complaints of code enforcement violations.
- Program offerings in 2006 by Parks & Recreation increased and are becoming more self funding.
- 73% of records dating back as far as 1796 restored for future generations.
- Emergency services response times of under 5 minutes in 64% of incidents.
- Decreasing average police response times of 3.3 minutes to domestic disturbance issues.
- Stable sewer user fees for 2006.
- Decreasing inquiries in assessing about valuations despite continued increases.
- Human resources reporting 3 years of minimal reportable injuries.
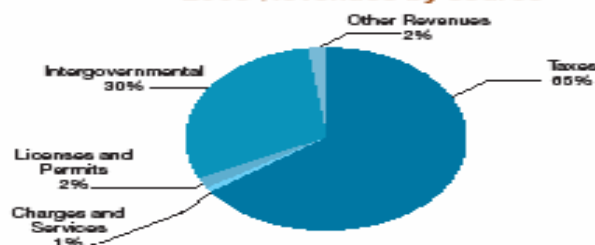

City Hall, Maine
Image courtesy of http://www.sacomaine.org

Complete financial information is available at the city's Web site, www.sacomaine.org

The City's Budget
Revenues and Expenses

Primary Government Sources of Revenue

2006 Revenues by source

Other Revenues 2%
Intergovernmental 30%
Taxes 65%
Licenses and Permits 2%
Charges and Services 1%

Revenues by Source	2006	2005
Taxes	26,196,118	26,703,395
Licenses and Permits	767,968	828,806
Intergovernmental	12,937,629	12,268,057
Charges for Services	921,293	681,008
Other Revenues	399,934	374,248
Total Revenues:	41,222,962	40,855,514

Primary Government Functional Expenses

2006 Expenditures by Function

Culture and Recreation 1%
Public Works 9%
Public Safety 11%
General Government 4%
Capital Improvements 3%
Debt Service 7%
Unclassified 7%
Education 56%
County Tax 2%
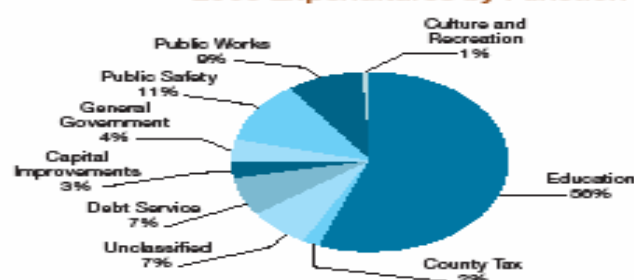
Expenditures by Function	2006	2005
General Government	1,985,467	1,779,876
Public Safety	4,491,147	4,527,592
Public Works	3,757,464	3,664,176
Culture and Recreation	638,353	585,176
Education	22,898,808	23,421,184
County Tax	859,723	772,182
Unclassified	3,019,367	2,864,024
Debt Service	2,319,715	2,761,234
Capital Improvements	1,742,378	1,242,158
Total Expenditures:	41,712,422	41,617,572

Each program's net cost (total cost less revenues generated by the activities) is presented below for both the current year (2006) and last year (2005) for comparative purposes. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities	2006 Net (Expense)	2005 Net (Expense)
General Government	(1,930,866)	(1,407,659)
Public Safety	(4,151,130)	(4,313,531)
Public Works	(2,898,965)	(3,773,803)
Housing Programs	18,017	(40,068)
Culture and Recreation	(297,382)	(302,733)
Education	(12,910,425)	(13,453,566)
Unclassified	(3,102,707)	(3,363,144)
Interest on Debt	(756,399)	(680,893)
Capital Improvements	(2,018,790)	(1,345,659)
Total Governmental Activities	(28,048,647)	(28,681,056)

Debt, considered a liability of governmental activities, decreased in fiscal year 2006 by $489,016. Per capita bonded debt outstanding decreased from $1,244 to $1,215 per capita compared to the prior fiscal year. The Governmental Activity debt summary for fiscal year 2006 is presented below.

Debt Payable at June 30, 2005	20,926,710
Add: New Capital Lease Purchases	473,000
Add: New General Obligation Bonds	1,500,000
	22,899,710
Less: Debt Retired	2,462,016
Debt Payable at June 30, 2006	20,437,694

Independent Audit

An independent audit of the city's finances was conducted resulting in a clean audit.

What's next
Future Challenges and Economic Outlook

Measures

By many measures, the City of Saco has met the challenges it faces with relative success. For overall image, Saco was seen in 2005 by 80.6% (as compared to 78.5% in 2004) of the citizens surveyed as "good" or "excellent," while only 2.1% (as compared to 3.3% in 2004) surveyed saw the city as "poor" or "below average".

For further measures of citizen satisfaction, please visit the city's Web site at www.sacomaine.org and review the entire 2005 citizen satisfaction survey report as well as the 2005 Second Annual Performance Report on Delivery of City Services.

Overall Image of the City of Saco

	Excellent	Good	Average	Below Average	Poor	Don't Know N/A
■ 2004	26.5%	52.0%	17.6%	2.0%	1.3%	0.5%
■ 2005	25.3%	55.3%	17.3%	1.8%	0.3%	0.3%

Executive Summary

Findings on this past fiscal year's governmental performance of the City of Saco offer good news for the city organization and the greater community, and are based on three years worth of generally positive performance data. See the city's entire Third Annual Performance Report Delivery of City Services which can be found on the web site at www.sacomaine.org.

Coupled with prior positive overall ratings by citizens for overall quality of life in the city, for feelings of safety in the city, as a place to live, as a place to raise children, and for overall quality of service from city employees, these positive measures reflect well on the city organization.
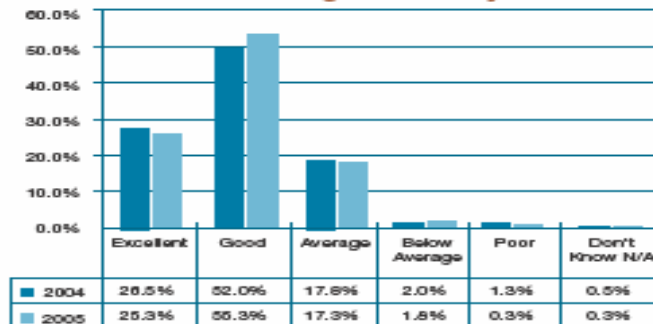
The two key areas identified as in need of improvement, recognized by the city both on its own and through this reporting process in FY 04 and FY 05, of improving communications with citizens and addressing issues surrounding growth in the community, continue to be addressed but not yet adequately.

The much larger issue of the two remains about growth of the community.

Managing growth is not a new issue for the city – the Strategic Plan includes an entire goal dedicated to this concern and work this year will result in adding another such goal. Indicators about the issue of growth of the community from the citizen survey echoed the concerns of the city organization. This information argues that the issue of growth is important to citizens and staff, and that planned work, including incorporating the citizen vision more actively into the Strategic Plan, goals and objectives, would serve to better achieve Saco's ultimate vision.

However, work this year for the city organization was focused more on internally improving service delivery and incorporating the performance measurement process more fully into organizational processes. Faced with potential "taxpayer revolt" in the form of a citizen's initiative for revenue and spending limits, such improvements in city service delivery are timely. Now in its third year, this performance measurement report has begun to be accepted as a more useful tool for staff, both in terms of evaluating performance and helping in decision-making. As well, this report, as well as goal setting and the merit pay system for management, now have all been aligned so as to fully impact the strategic planning process. These are useful and necessary steps in optimizing the performance measurement process.

In closing, the city continues to recognize and strive to develop satisfactory responses to issues of concerns with growth and communications. Meanwhile, the City of Saco reports satisfactory results, accompanied by calls for ongoing improvements, with current service delivery performance, as well as gains in the performance measurement process.

Level of Growth in Saco

	Too little	About right	Too much	Don't know
■ 2004	5.0%	48.0%	44.3%	2.8%
■ 2005	6.8%	45.8%	44.0%	3.5%
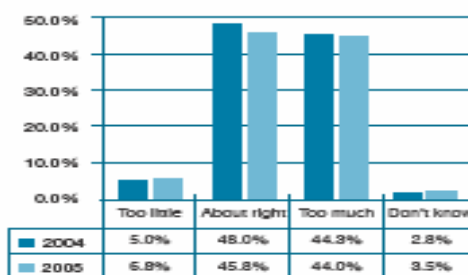
City Council Future Objectives

The City Council has established the following objectives as priorities, tied to their related goal areas, for the coming 2 years.

2007
- Jenkins Road Water & Land Use
- Saco Island Redevelopment
- Continue Technology Collaboration with School Dept.
- Growth Management –
  Slow Down Condominium Dev.
- Expand Website Capabilities to Include: more permits, licenses, businesses, and e-commerce
- Continue to Improve Communication with School Department (i.e. budget)
- Continue Downtown Revitalization to Beach Street
- Establish Fee Basis Bus Service for Seniors to Recreation Programs

2008
- Automated Photo Cop
- Continue Improvements in School Department Communication
- Sidewalks – Route One to Scarborough
- Right Hand Lane to Beach Street
- Traffic Light – Buxton Road and Jenkins Road
- Buildings/Train Station
- Fenderson Road Improvement to Public Way
- Consider 2nd Open Space Bond
- Develop Regional Projects – Dispatch
- Consolidation of Elementary Schools
- Review Me Dept of Transportation Projects
- Improve Public Access to Ocean
- Middle School – Thornton Academy
- Improve Public Access to River
- Continue Support of Saco Spirit
- Review Contract Zoning Procedure
- Signs – Create Conformity
- Further Service Center Agenda
- Improve appearance of Pleasant Street Façade of Central Fire Station
- Consider Deep Cooperation of Saco Spirit and Heart of Biddeford

We would like to hear from you! Do you like this report? Is there any additional information that you would like to see included? Please contact Lisa Parker, Finance Director, at lparker@sacomaine.org, or 207.283.3303 with any recommendations.

Complete financial information is available at the city's Web site, www.sacomaine.org

Role 3. Define or Measure Performance (outside the traditional audit process)

- **<u>Practice 3a. Help Choose Measures or Targets</u>:** Provide advice on determining performance measures or performance expectations.

- **<u>Practice 3b. Collect Data</u>:** Collect performance measurement data.

Role 4. Encourage or Assist Management

- **<u>Practice 4a. Encourage Management</u>:** Encourage management to develop and implement performance management systems.

- **<u>Practice 4b. Assist Management</u>:** Assist management in designing, improving, or maintaining performance management systems, or build the capacity of management to do so.

Role 4, Practice 4a —
Encourage Management

Encourage management to develop and implement performance management systems (Alberta, Florida OPPAGA, Texas, Portland, OR).

– Advocate by researching and identifying "best practices" and benefits of performance management.

– Point out needs or opportunities to improve current systems and practices.

– Provide guidance on initial performance management system design.

See examples at www.AuditorRoles.org

Role 4, Practice 4b —
Assist Management

Assist management in designing, improving, or maintaining performance management systems, or build the capacity of management to do so (Austin, West Palm Beach, Phoenix, British Columbia, Saskatchewan).

- Provide advisory assistance, consulting, training, or "hands on" assistance at any or all stages of the performance management initiative.

- Serve on internal teams to design and implement performance management systems.

See examples at www.AuditorRoles.org

Role 5. Assist Elected Officials or Citizens Practices:

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

- **Practice 5b. Report Performance**: Produce and issue external periodic performance reports.

- **Practice 5c. Assist External Decision Making**: Assist external stakeholders in using performance information to make decisions.

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

- **Practice 5e. Assess Citizen Engagement**: Assess or improve citizen engagement related to performance management.

Role 5, Practice 5a —
External Advocacy

Advocate to, or assist, external stakeholders concerning the development, implementation, or improvement of government performance management systems (Montgomery County, MD; Austin; Kansas City, MO; Portland, OR).

- Write resolutions, ordinances, and guidelines.

- Provide evidence (analyses, reports, etc.) demonstrating benefits of performance management.

- Testify or make presentations about need to develop or improve performance measurement systems.

See examples at www.AuditorRoles.org

Role 5, Practice 5b — Report performance
Produce and Issue External Performance Reports (See example at www.AuditorRoles.org)

- Auditor takes on role more typically played by management
- Performance reporting is still in the "experimental" stage with various models being promulgated.

  - GPRA's/OMB's Performance Reporting Requirements

  - GASB's "Reporting Performance Information: Suggested Criteria for Effective Communication"

  - PSAB Statement of Recommended Practices (Canada, supersedes CCAF-FCVI Principles)

  - Balanced Scorecard (City of Charlotte—not Auditor)

  - Blend of Print & Web-based Reports (e.g., NYC MMR--not Auditor, Portland City Auditor: on-line neighborhood survey results)

Role 5, Practice 5c —
Assist External Decision Making

Assist external stakeholders in using performance information to make decisions (Portland, OR—Progress Board Staff, Florida OPPAGA).

- Provide education and training
- Provide technical support
- Provide special analyses and reports
- Provide easy access to information and informational "alerts" (e.g., via the Internet)

See examples at www.AuditorRoles.org

Role 5, Practice 5d —
Engage Citizens

Engage citizens in determining performance goals, objectives, or measures (Kansas City, MO; Phoenix; Multnomah County, OR).

- Public forums
- Focus groups
- Advisory committee meetings
- Preference surveys

See examples at www.AuditorRoles.org

Role 2, Practice 2a. **Test Relevance or Reliability: Test or certify performance measurement relevance, reliability, or both.**

Assessing the Relevance and Reliability of Performance Measures

Practice 2a — **Test Relevance or Reliability.**

Test or certify performance measurement relevance, reliability, or both, e.g.:

- Austin City Auditor
- Austin Corporate Internal Audit
- British Columbia Auditor General
- Colorado Springs City Auditor
- Florida OPPAGA
- Kansas City (Mo.) City Auditor
- Louisiana Legislative Auditor
- Maricopa County (AZ) Internal Audit
- Nevada Legislative Auditor
- Phoenix City Auditor Department
- Portland (OR) City Auditor
- Prince William County (VA) Internal Audit
- Texas State Auditor
- Virginia Auditor of Public Accounts

See examples at
www.AuditorRoles.org

Different names used for the same type of measure

Service Area	Efficiency input/output	Outcome (effectiveness, quality)	Output (workload, quantity)
Sewage Treatment	Cost per gallon of sewage treated	% of effluent samples meeting EPA standards	# of gallons of sewage treated
Fire Protection	Average cost per inspection	# of deaths and injuries per capita	# of inspections conducted
Residential Collection	Tons collected per crew	Cleanliness rating for streets	# of tons collected
Library	# of books circulated per $1000	% of citizens who rate the library very good	# of books circulated

Criterion #8 - Relevant Measures of Results

Reported performance measures should be relevant to what the organization has agreed to try to accomplish and, where possible, should be linked to its mission, goals, and objectives as set forth in a strategic plan, budget, or other source.

What you should look for:

❑ Measures that primarily focus on outcomes that measure the degree to which goals and objectives are being achieved.

❑ At overview and introductory levels of reporting, measures would normally be outcome measures. At the detailed levels outcome measures should be supplemented by output, efficiency, and input measures.

Example for criterion #8

Minnesota **Milestones**
► Measures that matter

- Alphabetic: Listing of goals, indicators, and individual data trends alphabetically.
- Or view below by theme.

Theme

PEOPLE, CHILDREN

Goal

Our children will not live in poverty.
1 Child poverty
2 Low-income school children
Families will provide a stable, supportive environment for their children.
3 Satisfaction with child care
4 School transfers
5 Child abuse and neglect
6 Teen pregnancy
7 Runaways
All children will be healthy and start school ready to learn.
8 Low birth weight
9 On-time immunization
10 Preschool child development
Minnesotans will excel in basic and challenging academic skills and knowledge.
11 Elementary school skills
12 Eighth-grade basic skills
13 College entrance scores
14 High school graduation
Minnesotans will be healthy.
15 Health insurance
16 Infant mortality
17 Life expectancy
18 Premature death
19 Smoking and tobacco use
20 Suicide

Details presented on next page

Drill down links to performance measures

Example for criterion #8 (continued)

Indicator 16: Infant mortality

Goal: *Minnesotans will be healthy.* This goal encompasses both physical and mental health throughout life. It is also aimed at reducing disparities in health status among racial and ethnic minorities. Indicators for the goal deal with both health status and health care.

Rationale: Infant mortality is an important indicator because it reflects the quality of both pre- and post-natal care.

Detailed performance measure aligned with goal

Infant mortality rate, per 1,000 live births

	Total	White	Asian or Pacific Islander	Hispanic	American Indian	Black/ African American
1997	5.9	6.0	7.2	9.1	15.1	16.4
1998	5.9	5.6	7.0	8.3	16.8	16.3
1999	6.2	5.4	7.1	9.1	15.5	15.7
2000	5.6	5.2	6.6	8.6	14.4	15.1

Infant mortality is presented in total and disaggregated by ethnicity.

Relevant Measures

- **Definition** - Performance information that:
  - ❑ Communicates the extent to which the organization's goals and objectives are achieved;
  - ❑ Is useful for decision making and accountability.

- A *Relevant* set of performance measures is:

  Pertinent - Linked *(aligned)* to mission/goals/objectives, responsive to change, useful for decisions

  Inclusive – Includes all essential aspects of performance, meets broad user needs

  Timely – Available when needed, provided when required

  Understandable – Clear, explainable, communicated well

  Comparable – Benchmarked against targets, standards, prior years, or comparable entities

Relevant Measures

Pertinence, inclusiveness, timeliness, understandability, and comparability help determine:

- ***Are the measures aligned?***
- ***Are they the right measures?***
- ***Are the measures useful?***
- ***Are the measures complete?***

Examples of Proper Alignment Among Performance Measurement Concepts

Department of Health

Mission: To protect and improve the health of the citizens

Goal: To control the transmission of infectious disease

Objective: To increase the proportion of infants who receive age-appropriate vaccines to 90 percent by the year 2008

Measure: The percentage of infants who receive age-appropriate vaccines

Examples of Proper Alignment Among Performance Measurement Concepts

Department of Finance

Mission: To maintain the fiscal integrity and financial solvency of the County government

Goal: To manage all bank relationships and cash for County agencies in order to ensure the prudent and safe investment of financial assets, maximize interest income, and fund financial obligations

Objective: To earn a rate of return that is at least 95% percent of industry-standard yield

Measure: Percent of industry-standard yield achieved

Are They the Right Measures?

- Are the program's measures useful for decision makers within and outside of the program?

- Do the measures provide a complete picture of the program's activities?

Main goal of a city's sewer cleaning operation:

Keep the sewer system clear to minimize overflows and clogged sewers.

Performance measures used:

➢ **Number of miles of sewers cleaned.**

➢ **Sewer crew staff time used.**

➢ **Cost of staff time & materials used.**

➢ **Cost per mile of sewer cleaned.**

1. *Is this a relevant set of performance measures?*

2. *What might happen if these are the only measures used?*

Are They Useful Measures?

- To determine whether the measures are useful for decision makers within and outside of the program:

  - Review the information used daily to manage the programs operations

  - Identify the information that decision makers routinely ask for

  - Ask questions of program staff

  - Ask stakeholders

Are They Useful Measures?

After collecting this information, compare what is being used for day-to-day operations and decision making to what is being collected and reported as performance measures

Are They Complete?

A complete set of measures provides a full picture of a program's activities

Inputs → **Process** → Outputs → Outcomes
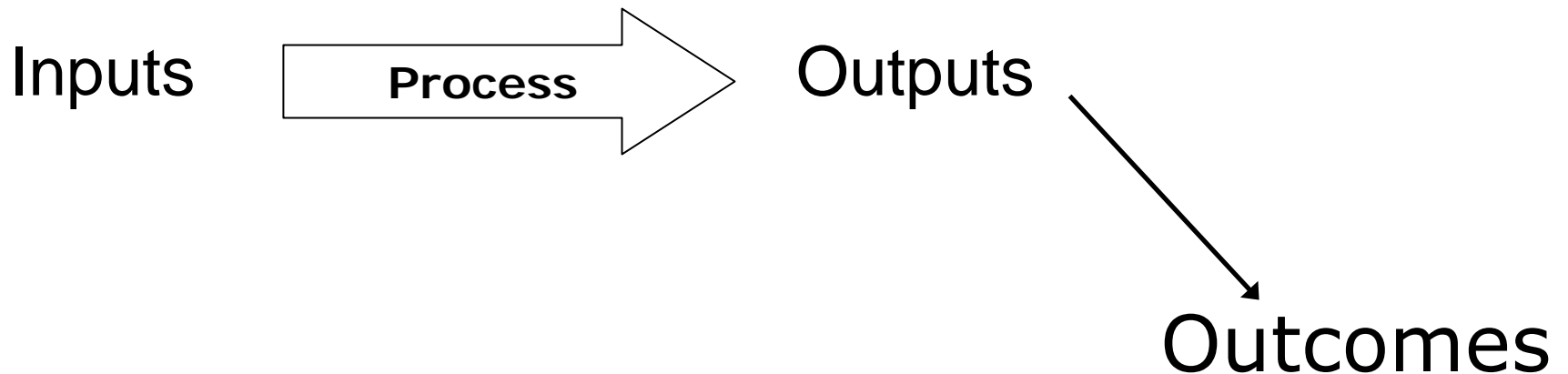
Are the Measures Complete?

- To determine whether the measures provide a complete picture of the program's activities:

  ❑ Create a flowchart of the programs activities

  ❑ Gain an understanding of how existing measures fit into the flowchart

  ❑ Look for holes (things that aren't measured but would provide key information if they were)

Are They Useful and Complete?

Example: City Litigation Process


```
City Receives Notice of Lawsuit  →  Attorney is Selected and Prepares Case. Settlement Range is Estimated
                                              ↓
Suit is Dropped before Court Issues Verdict  ←  Court Hears Case

Settlement is reached before Verdict is Issued  ←

City Pays to Settle        Verdict Issued Against City        Verdict Issued In Favor of City

Payment is within Estimated Range        Payment is outside Estimated Range
```
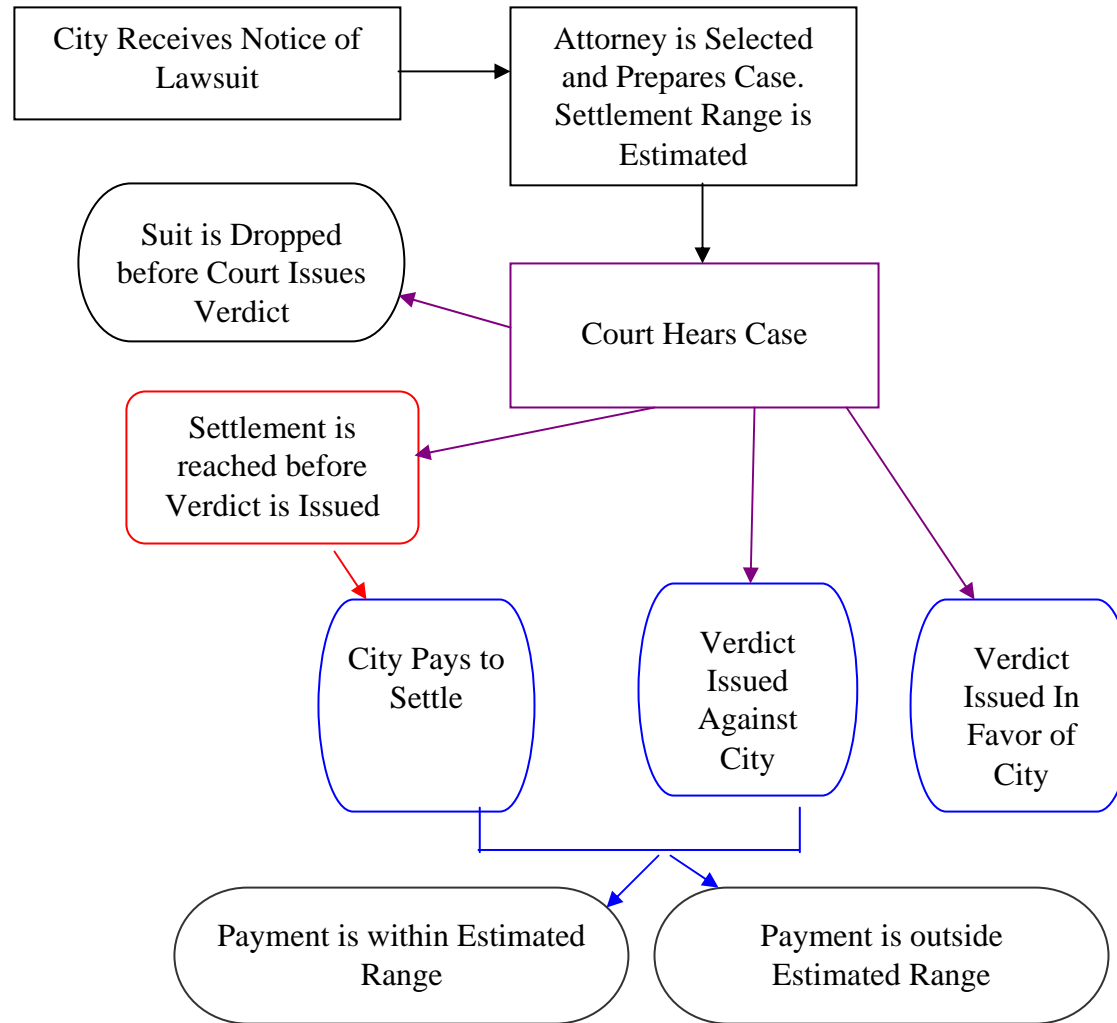
Are They Useful?

Example: City Litigation Process

- Number of lawsuits received
- Number of lawsuits resolved
- Percent of cases resolved within established settlement range
- Percent of cases resolved without payment
- Cases per litigator
- Percent of filing deadlines met

Are They Complete?

Example: City Litigation Process

Litigation's Measures

- Number of lawsuits received
- Number of lawsuits resolved
- Percent of cases resolved within established settlement range
- Percent of cases resolved without payment
- Cases per litigator
- Percent of filing deadlines met

City Receives Notice of Lawsuit

Attorney Prepares Case. Settlement Range is Estimated.

Suit is Dropped before Court Issues Verdict

Court Hears Case

Settlement is reached before Verdict is Issued

City Pays to Settle

Verdict Issued Against City

Verdict Issued In Favor of City

Payment is within Estimated Range

Payment is outside Estimated Range
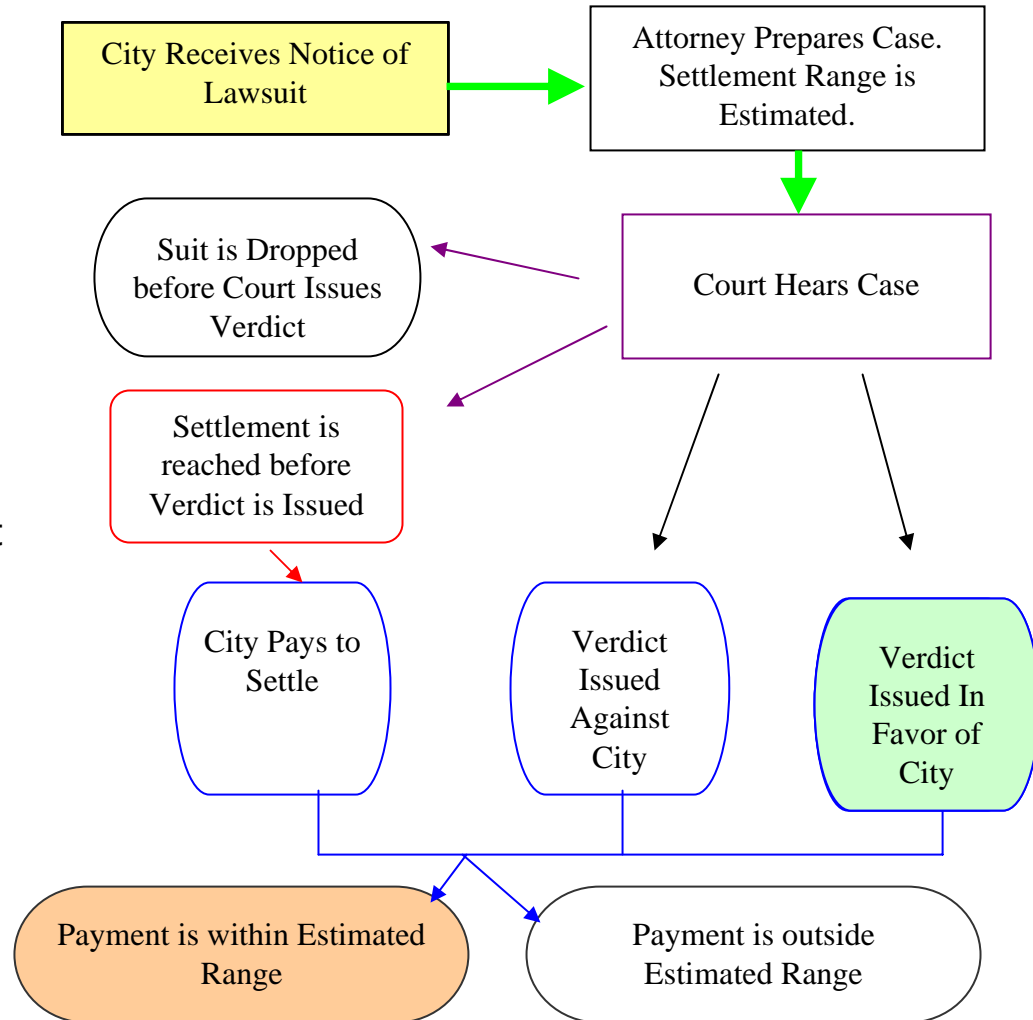
- What additional measures may be useful for the City Litigation Process?

Are They Complete?

Example: Vehicle Preventative Maintenance Service

FSD PM Scheduler receives report from MMS indicating which vehicles are due for service

↓

PM Scheduler checks with SC Managers to see if they can accommodate the PM's scheduled

↓

PM Scheduler indicates on report those vehicles that can be brought in and system automatically generates an email to Dept. liaisons with a copy to the SC Managers

↓

Vehicle brought in on schedule?

No →

SC Manager notifies PM Scheduler that vehicle was not brought in

→ Email sent to Dept. liaisons that requires a response with reason for not bringing vehicle in for PM

↓

Reason is entered into MMS by PM Scheduler and vehicle rescheduled if necessary

Yes →

Work completed

→ Completed PM code entered into MMS by mechanic

↓

SC Manager is notified to pick up vehicle

←

When vehicle is picked up the SC Manager gives driver a customer satisfaction card to complete

- What measures may be useful for the Preventative Maintenance Activity?

Helpful Hints to Ensure Relevant Performance Measures

- Assess the measures to see if they are reflective of the criteria for relevance
- Assess to see if there is alignment between the measures and goals and objectives
- Assess the usefulness of program's measures to decision makers within and outside of the program
- Assess the measures to see if they provide a complete picture of the program's activities

Objective, scope, and methodology

Example:

- Specific **<u>audit objectives</u>** included evaluating the reliability and validity of performance measurement data and assessing the comparability of these measures to peer cities.

- The **<u>scope</u>** of the review was for performance measurement data compiled and reported to the Budget Office for FY 05.

- Our **<u>methodology</u>** included interviewing staff, reviewing management controls and verifying selected samples of key performance measures.

Reliable Performance Measurement Data

I. Reliability is a state that exists when data is sufficiently complete and error free to be convincing for its purpose and context.

II. SEA information should be ***verifiable and free from bias and faithfully represent*** what it purports to represent. Therefore, SEA information should be ***derived from systems that produce controlled and verifiable data.*** (GASB Concepts Statement #2)

III. Criteria for Determining Data Reliability

- Accurate (computed correctly, neither overstated nor understated)
- Consistent (consistent with previous periods, controlled by adequate systems)
- Correctly defined (complies with measurement definition, corresponds to the phenomena being reported)

Questions

- What are the "red flags" that tell you that data may be inaccurate?

- What has been your experience with unreliable performance data, and what caused it?

What Can Happen When the Numbers Are Wrong

- Your department reported that they produced 10,000 units of service (UOS) for a cost of $2,000,000 = $200 per unit.

- In fact, it only produced 8,000 UOS. Cost per unit was actually $250 per unit.

- Given another $1,000,000 in your budget and based on your previous *reported* output, decision makers expect you to produce another 5,000 UOS.

- In fact, you can only produce another 4,000. You'll be 1,000 units short of expectations.

Features of a performance measures self-assessment review

- 10 step process
- Conducted by department management
- Departments learn a process so they can review the accuracy of their data on an ongoing basis
- Resource Guide for Business Planning - Revised 2005, step #29, pp. 62-76; Appendix A: Performance Measures Self-Assessment Review Checklist

www.ci.austin.tx.us/budget/mfr.htm

Features of a performance measures certification audit

- 15 step process including various steps specific to any audit
- Results placed in one of four assessment categories
- Performed by auditors
- Results reported externally

Step 1: Choose measure to review

Suggested Criteria:

- Reliance on this measure to support or facilitate key departmental management or operational decisions

- Concerns with your department's measurement system controls raised by the Budget Office or sources external to the department

- Changes in organizational structure/key personnel

- Relative dollars involved related to a measure

- Concern or interest by Council members or Executive management

- Patterns of unexpected performance (either up or down)

- Reported in external documents

Step 2: Obtain measure definition

Step 3: **Develop objectives, scope, and methodology**

Example:

- Specific **audit objectives** included evaluating whether the solid waste services department is accurately reporting their performance measurement data to the budget office database, and whether the department has sufficient controls in place over the collection, analysis and reporting of their performance measurement data.

- The **scope** of the review was the data for five key performance measures compiled and reported to the budget office for FY 06.

- Our **procedures** included auditing calculations to ensure they were consistent with the methodology that the department and the budget office agreed upon, and analyzing the flow of data to evaluate whether proper controls were in place.

Step 4: Hold entrance conference

Step 5: Determine whether you can recreate the numbers reported in the PM database

The purpose of this step is to determine if the measure result that you reported to the performance measures database is accurate. Steps include:

- Gather summary documentation for the measure. Summary documentation shows the final calculations that support the performance data reported to performance measures data base.

- Recreate the numbers reported in performance measures data base and determine if the summary documentation is within a tolerable range of plus or minus three percent.

Examples of Summary Documentation

- Computer printouts that reproduce summary calculations of the reported performance

- Archived computer printouts produced at the reporting date that document the summary calculations

- Quarterly summary calculation documentation

- Spreadsheets

- Manual calculation sheets

Recalculation Example

	Number of M applications processed	Number of N applications processed	Number of O applications processed	Number of P applications processed	Total number of applications processed
Quarter 1	20	30	10	45	105
Quarter 2	40	30	35	30	135
Quarter 3	30	30	35	60	155
Quarter 4	10	10	20	65	105
Year Total	100	100	100	200	500

Recalculation Example

Semester	Total number of degrees awarded
Fall	350
Spring	500
Summer I and II	150
Year Total	1,000

Recalculation of Yard Trimmings Example

Month	Yard Trimmings in Performance Measurement Database	Yard Trimmings in OPS Database
Oct	1,079	1,216
Nov	1,565	1,565
Dec	1,588	1,502
Jan	1,441	1,480
Feb	1,112	1,112
March	1,804	1,804
April	3,341	2,917
May	2,363	2,334
June	1,314	1,314
July	1,235	1,226
Aug	959	954
Sept	835	834
Total	**18,636**	**18,258**

Recalculation Example: **Recalculation of the measure "Cost Per Tons of Yard Trimmings Collected"**

- **Formula:**

  Cost of yard trimmings collected

  Tons of yard trimming collected

  Reported by Solid Waste Services

  $2,096,649

  18,636

  Result is $113.00

- Recalculated by Auditor

  $2,096,649

  18,258

  Result is $115.00

Acme Agency:
Process for reporting performance for the measures "Clients served"

FY 2003 Adopted Budget

	FY 00 Actual	FY 01 Adopted	FY 01 Actual	FY 02 Adopted	FY 03 Adopted
Acme Agency - Clients served	90	100	100	120	115

Audit Step 1: Compare Budget figure to figure in year end report.

Acme Agency Annual year end report for FY 01:
Clients served: 100   Cases Completed: 75   Cases Successfully Completed: 75%

Audit step 2: Compare Annual report figure to figure from monthly reports. Recalculate the total by summing the figure from each month.

Monthly Reports of clients served:

July 00: 20	Jan. 01: 2
Aug. 00: 10	Feb. 01: 4
Sept 00: 5	Mar. 01: 11
Oct. 00: 9	Apr. 01: 13
Nov. 00: 6	May 01: 9
Dec. 00: 1	June 01: 10
Total:	**100**

In many cases, a database will be used to collect and report data. In these cases, the database data will be analyzed to see if Audit can come back to the same figure that was originally arrived at by the agency.

Audit step 3: Ensure that monthly report totals reflect the log of attendance records.

Log of attendance for Acme Agency Office:

Feb 5: John Doe   Feb 21: Jennifer Doe
Feb 20: Jane Doe   Feb 28: Jack Doe
                           Hand count total by secretary of new clients: 4

Audit Step 4: Compare random sample of clients in log of attendance to client case files to ensure service was rendered on date recorded in log of attendance.

Jennifer Doe's case file

Jennifer Doe came to see Caseworker Jan Smith about a payment on Feb 21st.

Jennifer Doe was in office to complete paperwork for payment on Feb. 25th.

Source: Auditor's Office, Prince William County Virginia

Step 6: Collect information on the process of data collection, calculation, and reporting

- Identify department staff involved in gathering data for the measure

Step 7: Review Measure Definition

- **Required information:**
  - ID Number
  - Program
  - Activity
  - Measure name
  - Type
  - Description
  - Frequency
  - Data sources
  - Calculation methodology
  - Persons responsible
  - Data limitations

Measure Definition Example

- **Measure Name:** *Percent of indigent consumers whose dependent living risk was diminished.*
- **Type:** Result
- **Short Definition:** The percentage of persons provided independent living skills whose dependence on others is decreased at the end of this training, expressed as a ratio of all persons provided training who were initially identified at being at risk of increased dependency.
- **Purpose/Importance:** This measure addresses the extent to which services provided by this agency under this strategy enable people who are blind or have severe vision loss to minimize their dependency on others. Services provided depend on individual need and might include training in how to move about safely in their home, neighborhood, and community; counseling to help adjust to vision loss; provision of adaptive devices; and training in preparing meals, handling finances, and maintaining and recording information without vision.

Measure Definition Example (continued)

- **Measure Name:** *Percent of indigent consumers whose dependent living risk was diminished* (continued)

- **Service/Collection of Data:** Service personnel in field offices enter all data for the consumers they serve into the department's database. A record of each consumer is begun at the point an application for services is taken or a referral is received. After assessing the consumer's situation, service personnel note in the consumer's database record whether the individual is at risk of increased dependency on others. At the time the consumer's case is closed, the staff enters a code noting whether or not the consumer's risk for dependent living is diminished as a result of services provided. Consumer coding is presented in a quarterly custom report that extracts this database information.

- **Method of Calculation:** A percentage is obtained by dividing the number of consumers coded as having a diminished dependent living risk at closure by the number of consumers coded as being at risk during the eligibility phase of their rehabilitation process.

- **Data limitations:** The determination of risk of dependence at application and the degree of dependence at closure is based on the judgment of professional staff. A degree of subjectivity is inherent, but the measure is considered to offer reliable information on program results.

Measure Definition Example

- **Measure name:** *Cost per ton of yard trimmings collected*

- **Type:** Efficiency

- **Description:** This measure addresses the total tons of yard trimmings collected during residential collection divided by the total costs for this activity.

- **Frequency:** Reported to the SWS performance measurement database monthly and reported to the performance measures data base quarterly.

- **Data sources:** Yard trimmings data comes from the Operations Performance System database. The monthly and annual expenditures for this activity comes from the AFS2 Report.

- **Calculation (methodology):** The percentage is obtained by dividing the total number of yard trimmings collected by the total expenditures for the yard trimmings activity.

- **How data is collected (data collection methodology):** Yard trimmings data is collected by PAYT crews and recorded on Daily Driver Reports. The day following the collection, Yard Trimming supervisors enter the data into the SWS's Pay-as-You-Throw's Division Operations Performance System Database (OPS).

- **Data limitations:** Because of limitations in the OPS database, yard trimming tons are estimated on Fridays.

Measure Definition Example

- **Measure name:** *Percent of waste stream diverted from the landfill through residential recycling* (continued)

- **How it's collected (data collection methodology):** Yard trimmings and garbage data is collected by PAYT crews and recorded on Daily Driver Reports. In-house recycling tonnage data is collected through the Diversion Division's WasteWorks computer program as PAYT trucks are weighed at the MRF. Tons of recycling sold data are taken from Bills of Lading and recorded monthly on a tons sold and revenue received report.

- **Calculation (methodology):** First the numerator is obtained by subtracting in-house tons from tons of recycling sold. Second the denominator is obtained by adding yard trimming tons plus tons of recycling sold plus 95.9% of total garbage tons and subtracting out in-house tons. The result of the numerator is then divided by the result of the denominator to get the percentage.

- **Data limitations:** Because the PAYT Manager over Recycling is not comfortable with the numbers in the OPS database the in-house recycling tonnage data is being taken from the Diversion Services Division Monthly Report and being entered into SWS's performance measurement database.

Step 8: Determine whether the agency followed the measure definition

Example Where Reported Number Does Not Reflect Measure Definition

Performance Measure	How the measure should be calculated according to definition	How the measure was actually calculated
Average customer wait time	Average time from when the customer signs entry log to the time that they are seen by a CSR	Reported wait time began when the front desk clerk typed the customer information into the computer to the time they were seen by a CSR
Average transaction time	Average time from when the client arrives at window to the time that the transaction is completed	Reported number only included computer time involved in the transactions
Average case processing time	Average processing time for all cases	Reported number was based on longest time at end of each month

Step 9: Determine whether adequate controls exist over performance measures data

Collect Information on the Process Used to Generate Performance Data

- List the steps from the initial generation of the performance data to its input in performance measures database

Collection Information Example

For the measure "Number of Applications Processed," the reviewer would want to know:

- That the process begins when an application is received and stamped by the department. Those who process applications review the application, and a record of the application is entered into a file in the department's computer system.

- At the end of the quarter, the computer generates the number of applications closed.

Collection Information Example

For the measure "Cost Per Ton of Yard Trimmings Collected", the reviewer would want to know the following details concerning the process used by the program to generate this performance data:

- The process begins when PAYT yard trimming crews record on a daily basis various data including tons of yard trimmings collected on the Daily Driver Report

- The day following collection, Yard Trimmings Supervisors enter data including tons of yard trimmings collected in the PAYT's Operations Performance System (OPS) database

- Periodically, the PAYT Manager over Yard Trimmings runs reports to check the data input into OPS against the information recorded on the Daily Driver Report

- Monthly the PAYT Manager enters the data from the OPS system for yard trimmings into SWS performance measures database

- Monthly, quarterly, and annually the Contract Compliance Specialist reviews the data for accuracy

Develop a High-Level Process Flowchart

- The purpose is to see if the necessary controls exist at each key point in the data flow. We assess critical control points and identify potential control weaknesses.

Determine Whether Sufficient Controls Over Performance Measure Data Exists

- Major areas that you examine to ensure that a control structure exists:

  - Input

  - Process

  - Review

Controls

- Types of Controls include:
  - Reviews
  - Authorizations
  - Documentation
  - Procedures
  - Training
  - Segregation of duties
  - Reconciliations

Examples of control weaknesses

- No supervisory review of performance data before entry in performance measurement database

- Data entry controls are lacking

- Data input is not reconciled to data output

- Measure definition does not exist or is lacking

- Measure definition is not followed

- Calculation methodology is inconsistent

- Mathematical errors are made during the measure calculation

Step 10: Determine Whether Source Documents Support the Measure Results Reported to the PM Database

- Obtain a list of all items counted for the measure

- Determine the criteria you are going to use to test each item

- Choose a sample of items to test to see if the correct information has been transferred from the tested item to the database or report

  - 95% confidence level and a 10% error rate

  - Normally we test 29 and 61 items

Step 11: Determine the Assessment Category for the Measure

Acceptable Assessment Categories

- A measure is **Certified** if reported performance is accurate within plus or minus 5% and if it appears that controls are in place to ensure accuracy for collecting and reporting performance data.

- A measure is categorized as **Certified With Qualifications** under three conditions. **First**, a measure is Certified With Qualifications when reported performance is within +/- 5%, but the controls over data collection and reporting are not adequate to ensure continued accuracy. **Second**, a measure is Certified With Qualifications when controls are strong, but source documentation is unavailable or incomplete for testing. **Third**, a measure is Certified with Qualifications if the department's calculation of actual performance deviates from the measure definition, but was still within an acceptable range.

Step 11: Determine the Assessment Category for the Measure

Unacceptable Assessment Categories

- A measure is categorized as ***Factors Prevented Certification*** when documentation is unavailable or incomplete and controls are not adequate to ensure accuracy. Factors Prevented Certification is also given when there is a deviation from the measure definition and the reviewer cannot determine the correct performance measure result.

- A measure is categorized as ***Inaccurate*** when the actual performance is not within 5% of reported performance, or there is a greater than 5% error in the sample of documents tested.

Step 12: **Develop audit findings and recommendations and draft audit report**

Step 13: **Hold exit conference**

Step 14: **Obtain auditee response**

Step 15: **Conduct follow-up of implementation status of recommendations**

Summary

- **Step 1** - Choose measure to review
- **Step 2** – Obtain measure definition
- **Step 3** – Develop objective, scope, and methodology
- **Step 4** – Conduct entrance conference
- **Step 5** – Determine whether you can recreate the numbers reported in the PM database

Summary (cont.)

- **Step 6** – Collect information on the process of data collection, calculation and reporting
- **Step 7 –** Review measure definitions
- **Step 8 –** Determine whether the agency followed the measure definition
- **Step 9 –** Determine whether adequate controls exist over performance measures data
- **Step 10 –** Determine whether source documents support the measure results reported to the PM database

Summary (cont.)

- **Step 11** – Determine the assessment category
- **Step 12 -** Develop audit findings and recommendations and draft report
- **Step 13 –** Hold exit conference
- **Step 14 –** Obtain auditee response
- **Step 15 –** Conduct follow-up of implementation status of recommendations

Helpful hints to ensure reliable performance data in your organization

- Audit to ensure that the organization has adequate performance measure definitions that are being followed. Encourage your organization to develop and maintain detailed measure definitions and keep them on the department's intranet or in a central PM database.

- Audit to ensure that performance measures are produced by management systems that have adequate internal controls. Encourage program managers to incorporate adequate internal controls into their performance measures development, maintenance, and reporting processes.

- Incorporate data reliability reviews or certification audits into your audit work plan.

- Encourage your organization to adopt a performance measures self-assessment review program.

State of Louisiana Department of Economic Development – Business Services Program

Total number of requests answered annually

	Annual		3rd quarter	
Target	**Value Reported**		**Documentation**	**Value Reported**
3000	**3400**		**258**	**1100**

Number of requests from Louisiana and out-of-state businesses answered annually

	Annual		3rd quarter	
Target	**Value Reported**		**Documentation**	**Value Reported**
600	**529**		**73**	**148**