OVERVIEW

• Overview of Performance Auditing
• Governments and Performance Audits
• Performance Management Strategies

The Nature of the Problem

• Current economic climate creates the need to reassess practices and service delivery
  – Declining or stagnant revenues
  – Escalating costs
  – Changes in local government funding
Overview of the Performance Audit Section

• Creation of the Performance Audit Section was an initiative of the Legislature and State Auditor in 1995.
• Three primary sources of work:
  – Legislative requests
  – Local government requests
  – Professional services for fiscally distressed governments
• Current staff includes 47 professionals with various educational and work backgrounds.

Let’s Start with the Basics

The “Yellow Book” Definition of Performance Auditing:

• “An objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria…” GAO

What is a Performance Audit?

• Economy and Efficiency Audits
  – Determine if an entity is making optimal use of available resources, at an appropriate level of quality.
  – Determine if an entity is accomplishing its goals with minimum resources and with the fewest negative consequences.
• Program Audits
  – Determine if the entity’s activities or programs are effective, if goals are reached and if the goals are proper, suitable or relevant.
  – Focus on the relationship of program goals to the actual program outputs or outcomes.
Difference between Financial and Performance Audits

Financial Audits
- Audits carried out under financial rules
- Audits financial statements
- Audits accounting practices

Performance Audits
- Oriented toward objectives
- Audits if use of resources is economic, efficient or effective
- Audit is analytical
- Takes into consideration cost versus outcome
- Requires indicators, standards and objectives to evaluate performance
- Audits the entire or part of an entity in relation to the 3 “Es”
- Takes into consideration past, current and future performance
- Aims at better resource allocation

Who gets audited?
- Governments that request assistance
- Governments in fiscal oversight
Why Choose a Performance Audit?

- Helps measure progress of performance management efforts
- Benchmarks operations for planning purposes
- Illustrates outputs and outcomes of expenditures
- Identifies areas for process improvement

Why Choose a Performance Audit?

- Independent and objective professional resource
- Provides public validation and assurance
- Helps to prioritize and direct resources most effectively
- Tests internal control systems
- Detects waste, fraud, and abuse
- Defines appropriate service levels
- Demonstrates commitment to accountability

Types of Performance Assessments

- Strategic Planning
  - It is thrifty to prepare today for the wants of tomorrow. *Aesop*
  - Good plans shape good decisions. That’s why good planning helps to make elusive dreams come true. *L.R. Bittel*
Types of Performance Assessments

- Service Efforts and Accomplishments
- Benchmarking Against Standards and Best Practices
- Peer Comparisons
  - One of the great mistakes is to judge policies and programs by their intentions rather than their results. *Milton Friedman*
  - If you cannot measure it, you cannot control it. *John Grebe*

Common Program Areas Evaluated

- Financial Systems – Planning/Budgeting
- Program Offerings/Administration
- Opportunities for Collaboration/Consolidation
- Staffing Levels/HR Practices
- Revenues (incl. Collections)
- Public Safety and Public Works

What are the Steps in the Audit Process?

- Initiating the Engagement
- Planning the Audit
  - Sharing the audit scope with management
- Conducting Fieldwork
  - Verifying data and information with client
- Writing the Audit Report
  - Obtaining review comments and response to audit from client
- Audit Release
Audit Outcomes

• Preliminary Findings
  – Communicated verbally in meetings
  – Additional “how to” information provided upon request

• Final Audit Results
  – Communicated in writing
  – Response/planned resolution required and included in the final public report
  – Client credited with actions to date
  – Technical assistance provided during and after audit conclusion

The Impact of Our Work

– 2,415 Noteworthy Accomplishments
– 13,286 Recommendations
– $1.04 Billion in Potential Annual Savings
– $124 Million in Cost Avoidances
– $62.2 Million in One Time Revenue Enhancements
– $47.6 Million in Annual Revenue Enhancements
– $100 Million in recommended expenditures
Variables in Local Government Performance Audits

- Population
- Wealth/Revenue
- Services Offered
- Geographic Location

PERFORMANCE MANAGEMENT STRATEGIES

Performance Management

- Options
  - Measure and reward effectiveness
  - Focus on causes
  - Use alternative approaches and tools
  - Be a copy-cat
  - Sacrifice sacred cows
- Use Performance Management to drive effectiveness and efficiency
Performance Management

• Basic Techniques
  – Know what you do
  – Know how well you do
  – Know who does what

Applicability to Local Government

• So are performance management techniques applicable?

• Can I use these basic principles in my government?

Application

• Internal Consolidation
• Capacity
• Programs
• Energy Management (easy win)
• Service Sharing Opportunities
• **Scaling operations to available resources**
Long-Term Outlook

• Take action now
• Implement strategies to reduce costs
• Apply leading practices and measurement to maintain or improve service delivery
  – Transform government to be more proactive

QUESTIONS AND DISCUSSION

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