

ROLE 1: AUDIT PERFORMANCE OR PM SYSTEMS

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

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

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

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

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

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

Summaries of the following audit reports are available from the City Auditor's website (www.ci.austin.tx.us/auditor):

- *Performance Measurement and Reporting 1996*, July 1997
- *Performance Measurement Report 1998*, December 1998