



The Importance of Accurate Performance Measurement Data

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In the past, government performance measurement efforts have often focused on assuring that the right measures are in place, while little time and effort has gone into determining if the actual data is accurate. Reporting accurate performance measurement data is critical if we expect internal and external decision-makers to feel confident that they can use it in their decision-making process. Performance measurement data must be verified if it is to be credible.

A 2002 Governmental Accounting Standards Board (GASB) report found that citizens wanted to know that reported performance information had been verified by a party other than the agency reporting the data. The importance of reliable data has been recognized by GASB as one of 16 criteria that state and local governments should consider when preparing an external report on performance data.

The GASB reporting criteria is found in the publication "Reporting Performance Information: Suggested Criteria for Effective Communication." Although some of GASB's 16 criteria have been condensed in the July 2008 release of "Request for Response on Proposed Suggested Guidelines for Voluntary Reporting of SEA Performance Information," reliable performance data is still recognized as one of the key aspects of performance information.

One way that some local and state governments have helped to ensure data reliability is by conducting performance measure certification audits. Certification audits are usually conducted by an organization's internal auditors as part of their annual work plan. Conducting certification audits is an appropriate role for auditors as discussed in the book *Auditor Roles in Government Performance Measurement: Exemplary Practices at the Local, State, and Provincial Levels*. The book is free for downloading on the auditor roles website (www.auditor-roles.org).

The State of Texas Auditor's Office has been conducting certification audits of performance measures for fourteen years. The results are reported to the State's Legislative Audit Committee, Governor Office and on the Auditor's website. The State of Texas data reliability certification process is often used as a model by other local and state governments including the City of Austin, TX; Prince William County, VA; Maricopa County Arizona; and the State of Nevada.

The final result of the certification process is a set of measures that are categorized by the extent to which they can be relied upon. Some governments use terms such as "certified" or "accurate" to communicate that the measurement results can be relied upon. Conversely, terms such as "inaccu-

rate" and "unreliable" communicate that the measure results cannot be relied upon.

Conducting a certification audit may require 30 to more than 100 hours per measure depending on the complexity of the measure. More than half of that time can be attributed to audit fieldwork and the other half to audit related activities such as planning, supervision, review, report, and close-out.

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With limited resources, many audit organizations can only certify a few measures per year. If the audit department does not have time or resources to undertake a complete performance measures audit, it can still add value to its organization by reviewing the definitions of key performance measures to ensure that they are clear, specific, and not open to interpretation and ensure that strong controls exist for each of the measures.

A complete measure definition may include many of the following elements: program, measure name, type, short definition, purpose/importance, source/collection of data, method of calculation, person responsible, and data limitations. Measure definitions that are incomplete and lack specificity increase the likelihood that measure results will be incorrect. To ensure that there is no misinterpretation, everyone involved with the measure must know how the measure is defined and when changes are made. Organizations should provide an online documentation manual on their intranet and document changes as they occur.

An organization's performance measure control processes are often the main contributor to inaccurate results. In determining whether adequate controls over performance measurement data exist at each point in the measure's flow, a flow chart should be developed and controls reviewed from the initial point that performance information is recorded until the accumulated measure information is entered into the performance measures database. A high level flowchart may help identify control weaknesses that require resolution. Auditors should examine input, process, and review controls to ensure that an effective control structure exists. If controls are not in place, measures may not remain consistently accurate.

In addition to GASB and other professional organizations, the Government Finance Officers Association (GFOA) recognizes that

data verification is essential if performance measurement is to be credible. Yet, GFOA correctly points out that there are additional audit costs, especially if an organization's external auditor must be involved in assessing the reliability of its performance data. These additional costs can be minimized by leveraging an organization's internal audit function, or otherwise reducing the amount of work required by the external auditor.

One way an organization can minimize the time needed for external review is by having its program managers conduct a performance measures self-assessment review. This self-assessment can be performed even if the organization does not have an internal audit department, or does not have the time or resources to conduct a certification audit. Although an organization's internal auditors should continue to certify performance measures as part of their annual work plan, self-assessment reviews can effectively leverage limited resources.

A self-assessment review is a 10-step process conducted by an organization's program managers of their own performance measures. Results of the review should be reported to the Budget Office, or other organizational unit independent of the entity in which the program resides. In addition, results should be reviewed by the organization's internal or external auditor. A self-assessment review may require from four to more than 40 hours depending on the complexity of the measure.

Self-assessment reviews create significant value by enabling program managers to learn and execute a repeatable process. Managers can then identify and correct problems in their measures. The self-assessment process has been used by program managers in the City of Austin for the past three years; detailed instructions can be found on their website along with an easy-to-use self-assessment template (www.ci.austin.tx.us/budget/mfr.htm). The self-assessment review is step #29 in the City of Austin's Resources Guide for Business Planning.

Since operational data often receives much less scrutiny than financial data, it is difficult for department heads or senior management to attest to or provide a statement of assurance as to its accuracy. Yet, reporting of reliable performance data is especially critical today as more government organizations publish external accountability reports to its citizens. Accurate performance data can help to facilitate well-informed public decision making and increase public trust.

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