

# Performance Measures in Efficiency Auditing

An Example

## Focus on Reducing Costs

- Identify relevant cost components
- Identify/develop efficiency measures
- Calculate actual values
- Identify/develop comparative “standards”
- Compare actual values to “standards”
- Look into differences

## Identify/Develop Standards

- Other similar operations
- Auditee's own history
- Adopted target
- Requirement

## Efficiency Measures Performance Audit Work

Relevant Cost Component	Efficiency Measure	Actual Value	Standard	Difference
Salaries & Wages	Hours per Audit	468 hours (KDHE IT)	384 hours (Lottery Security)	LPA is 22% higher
Salaries & Wages	% Hours Directly on Audit Work	63%	59% (3-year average)	FY 2004 4% higher
Salaries & Wages	Cost per Hour	Salary Ranges by Level	Other State Audit Operations	LPA about the same
All Operating Costs	Cost per Audit Hour	\$57.41 (FY 2004)	\$69.55 (est) \$104.32 (bid) (Med Fraud)	LPA is 20% lower

## Problems Encountered in Working with Efficiency Measures

- Identifying efficiency measures for which you have or can get actual values
- Getting “standard” values to use for comparisons
- Determining reasons for identified differences