

“Using Performance Measures In Efficiency Auditing”

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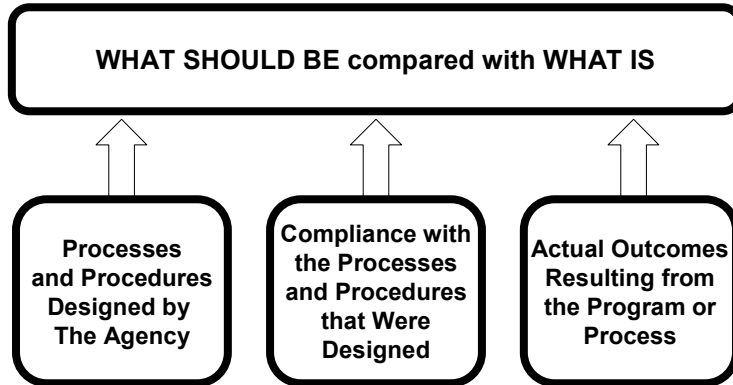
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Basic Audit Framework

- What Should Be?
- What Is? (as designed, as practiced)
- What’s the Difference? (and so what)
- What’s the Cause?
- What Should “Someone” Do About It?

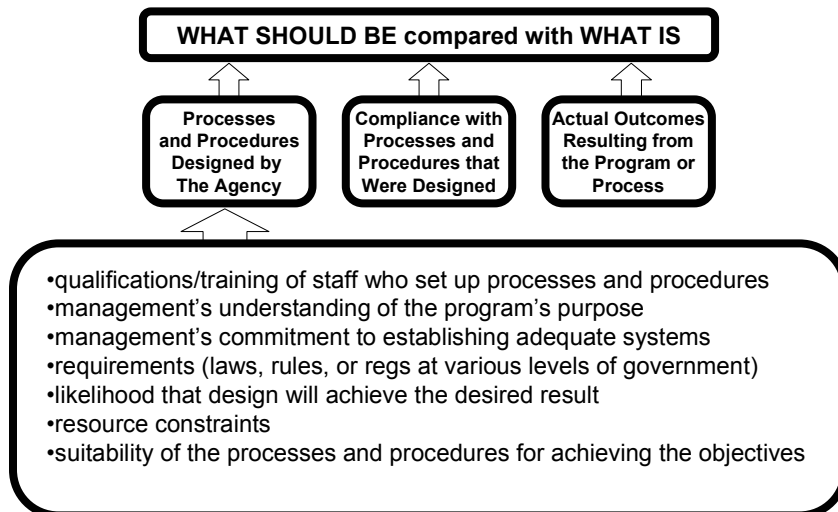
Basic Framework for Effectiveness Audits

Areas Where WHAT IS May Differ From WHAT SHOULD BE



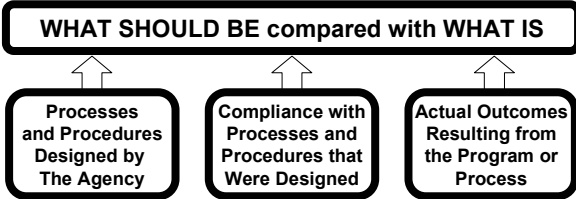
Basic Framework For Effectiveness Audits

Sample Factors That May Be Contributing to Differences Between WHAT IS and WHAT SHOULD BE



Basic Framework For Effectiveness Audits

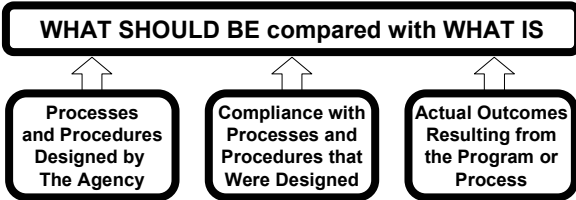
Sample Factors That May Be Contributing to Differences Between WHAT IS and WHAT SHOULD BE



- staff qualifications and training
- staff turnover or loss of key staff members
- documentation and communication of the processes and procedures
- management commitment
- adherence to established control procedures
- resource constraints
- staff attitudes
- design that is inappropriate or impossible to adhere to

Basic Framework For Effectiveness Audits

Sample Factors That May Be Contributing to Differences Between WHAT IS and WHAT SHOULD BE



- inadequate system design
- noncompliance with the system as designed
- resource constraints
- external factors
 - the economy, acts of God, etc.
 - public attitudes
 - changes in requirements (that mgmt. can't yet have responded to)
- ill-conceived or inadequate originating legislation
- unreasonable expectations as to the desired results

Basic Framework For Efficiency Audits

Two Sides of Efficiency:

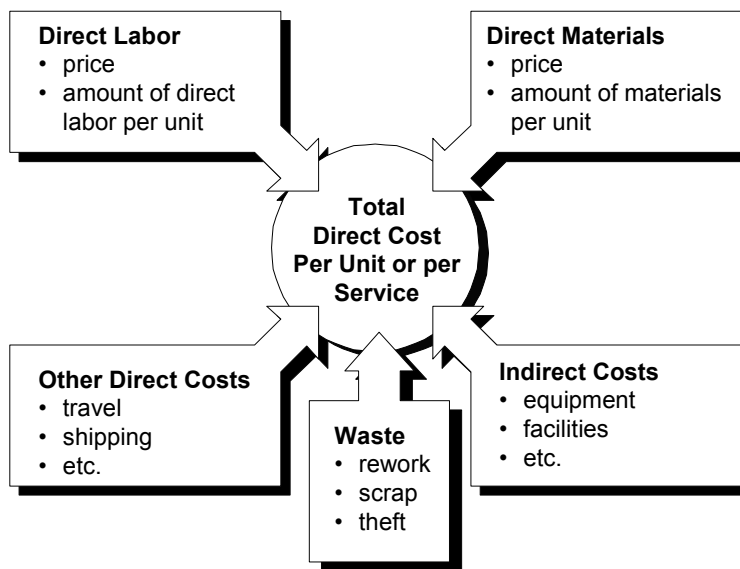
1. Reducing Costs

- Doing the same thing using fewer resources: “economizing”
- Audit looks at inputs (cost per meal served, cost per mile paved, cost per inspection, etc.)

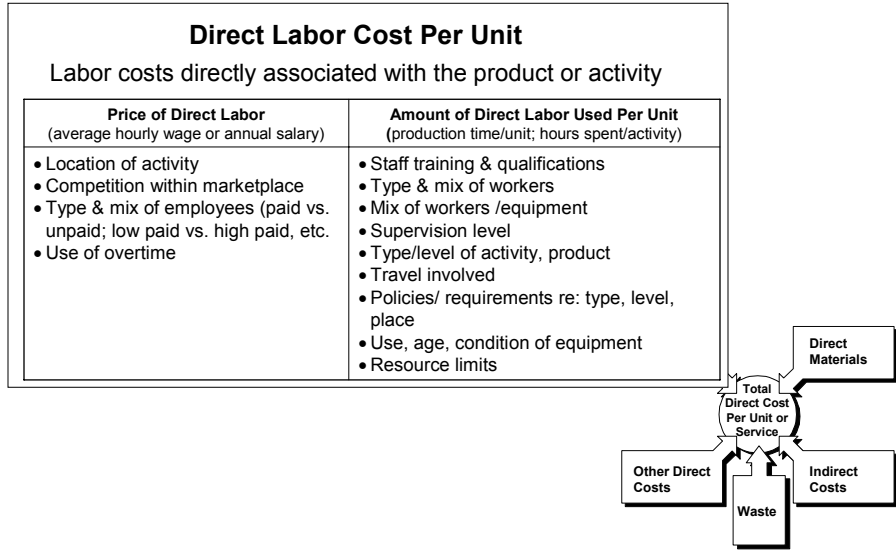
2. Increasing Productivity

- Doing more with the same resources
- Audit looks at outputs (inspections per inspector, meals per worker, miles paved per dollar spent, etc.)

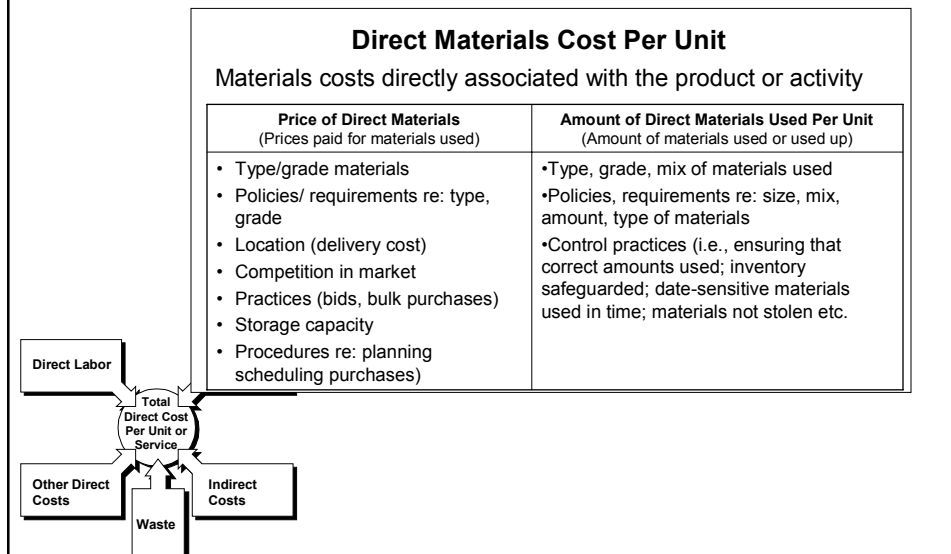
Factors That Affect Efficiency: Focus on Reducing Costs



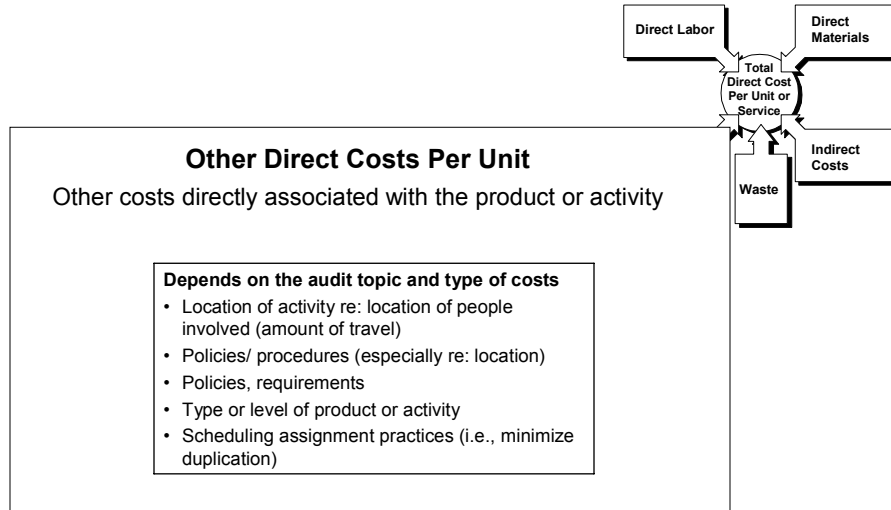
Factors That Can Affect Costs And May Contribute To Differences Between WHAT IS and WHAT SHOULD BE



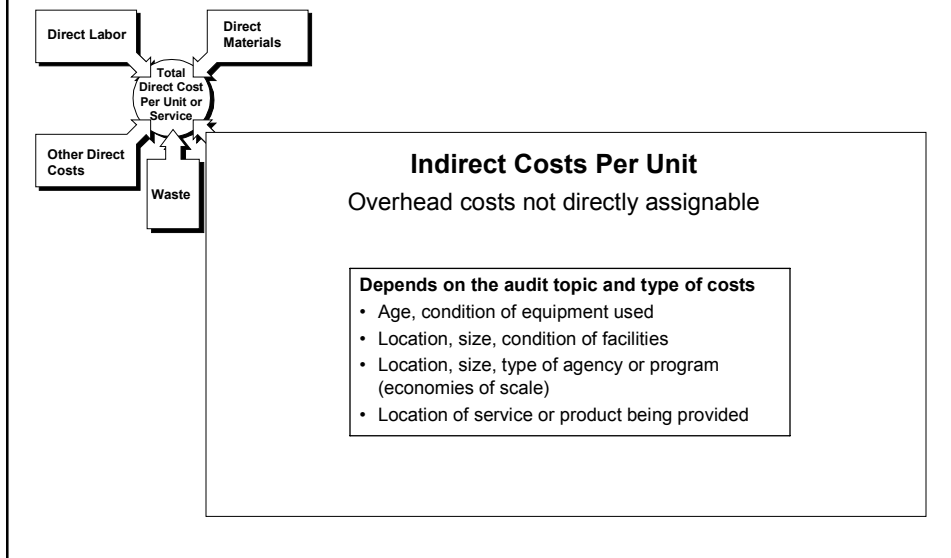
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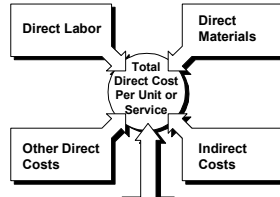
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Waste, Scrap, Theft

Material and labor that doesn't contribute to the finished product

- Training of workers (more competence = fewer errors)
- Controls for theft
- Inspection, QC procedures (feedback allows correction of process errors)
- Inherent difficulty of the process (hard to get it right the first time)
- Policies, culture, "tone at the top" ("measure twice, cut once")

Factors That Can Affect Efficiency: Focus on Productivity

NUMBER OF ACTIVITIES per EMPLOYEE

Major Component of the Efficiency Measure

Amount of Time Spent per Activity
(Time available to spend divided by number of activities performed)

Factors That Can Affect Results and May Contribute To Differences Between What Should Be and What Is

- Qualifications, experience, and training of employees
- Mix of employees doing the activity
- Mix of employees and equipment
- Supervision of employees
- Type or level of activity performed or product produced
- Location of activity (amount of travel involved)
- Policies/requirements re: type/level/location of activity or product
- Procedures (e.g., planning/scheduling/assigning duties)
- Usage, age, condition of equipment used
- Constraints or limits on resources
- How well the activity is carried out (an "effectiveness" issue)

Questions?