

Office of Internal Audit



Compliance Audit 2018-04 Performance Measures

January 2019

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Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

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EXECUTIVE SUMMARY

The *Policy # 600 City of Fayetteville Standard Policy Document Data Governance* was revised effective March 7, 2017 to include a data governance audit to validate the underlying data reported for goals in the City-wide Strategic Plan performance measures. Therefore, this audit was included in the Fiscal Year 2017-2018 Audit Plan. The Office of Internal Audit assessed the reliability, relevancy and accuracy of performance measures reported in the fiscal year 2018 annual budget document; and to determine if adequate controls were in place for the measures being tested.

Performance management in the public sector is an ongoing, systematic approach to improving results through evidence-based decision making, continuous organizational learning, and a focus on accountability for performance; therefore, it is essential that performance data is reliable, relevant and accurate.

Overall it was determined that departments should refine performance measures to ensure the information reported is relevant to the decision makers and/or stakeholders; provides a clear picture of the actual work performed; and is tracked and reported in a way that will provide accurate and reliable information. In addition, the following observations were noted:

1. The performance measures did not appear to address how the Department was achieving the associated objective.
2. The performance measures could be defined to provide improved clarity for the reader.
3. The performance measures data could not be validated.

BACKGROUND

The City's strategic planning model is intended to:

- Align programs and spending with long-term goals; and
- Provide transparency and accountability for results.

Strategic planning involves developing, maintaining, and adhering to a City vision, mission, and strategic goals to help the City determine where it wants to go in order to achieve the greatest success. City Council meets annually to refine the City's strategic plan to ensure it is reflective of the changing needs of the growing community. The strategic planning process involves input from City Council, employees and citizens. All City departments should be integrating the plan into annual budgets, daily operations and performance measurements in an effort to effectively and efficiently direct financial resources.

The Goals established by City Council and reported in the fiscal year 2018 budget document were:

- Safe & Secure Community
- Diverse & Viable Economy
- High Quality Built Environment
- Desirable Place to Live, Work and Recreate
- Sustainable Organizational Capacity
- Citizen Engagement & Partnerships

Objectives and performance measures are developed as a roadmap for the City to accomplish the goals. Performance monitoring allows the City to understand whether it is properly aligned with the goals established in strategic planning and determine if those goals are being achieved. The City strives to achieve continuous performance improvement through constant cycles of data gathering, performance monitoring and reporting.

In order to assist in achieving the goals of the strategic plan, the City implemented TRACStat, a performance management system dashboard. The dashboard allows citizens to view progress on performance measures and initiatives as well as to identify positive and negative trends. With this data, the City can develop strategies for improving outcomes in the areas identified as goals.

AUDIT OBJECTIVES

The objectives of this audit were to assess the reliability, relevancy and accuracy of performance measures reported in the fiscal year 2018 annual budget document; and to determine if adequate controls were in place for the measures being tested.

AUDIT SCOPE

The audit scope covered three judgmentally selected performance measures reported in the annual budget document titled *FY 2018 Annual Budget Adopted*. The performance measures were selected based on City Council's interest in two areas: right-of-way maintenance and street resurfacing. Since the data for the selected performance measures was not created or calculated using City managed Information Technology Systems, there was no review conducted over controls within any Information Technology systems.

AUDIT METHODOLOGY

In order to accomplish the objectives of the audit, the Office of Internal Audit performed the following:

- Obtained and reviewed City goals, objectives and performance measures reported in the fiscal year 2018 annual budget document;
- Interviewed Department personnel involved in calculating, reporting and maintaining the performance measures information;
- Tested the performance measure data provided by the Department.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Finding 1

The performance measures did not appear to address how the Department was achieving the associated objective.

A performance measure should provide a sufficient description and actual results of the work completed; and indicate whether the Department is achieving its objectives and making progress toward organizational goals. Measurable goals help decision makers to recognize success, identify problem areas, evaluate cost effectiveness and respond with appropriate actions.

Based on Internal Audit inquiry, the Parks, Recreation and Maintenance (PRM) Department reported the number of right-of-way miles maintained and the number of right-of-way visits required based on an agreement with the North Carolina Department of Transportation (NCDOT) instead of reporting the actual number of right-of-way miles maintained and actual number of right-of-way visits.

The associated objective for the measures was: "To provide efficient maintenance to rights-of-way at Level 3 standard. Level 3 represents a moderately low-level maintenance associated with locations generally away from the public eye, having limited resident visitation, considered as natural areas or limited from higher level maintenance standards due to budget restrictions."

However, it is unclear how only reporting the minimum requirements based on an agreement tells how the PRM Department was providing “efficient maintenance”. In addition, the objective referred to a Level three standard, but the agreement with NCDOT only required mowing which is required for each level of maintenance. Furthermore, based on Internal Audit inquiry, PRM personnel indicated some right-of-ways were maintained at a level higher than three for maintenance based on the right-of-way visibility.

Since performance measures are used to determine if the associated objective is being met, it is unclear how this will happen if the performance measure does not directly address the objective. In addition, if the performance measure does not provide accurate information about all the work that was performed, the decision makers may not have all the pertinent information to make an informed decision.

Recommendation

Management should review and update all Departmental performance measures to ensure:

1. The performance measures address how the Department is meeting the associated objectives; and
2. The Department adequately and accurately tracks and reports the actual work being performed by personnel for the performance measures.

Management’s Response:

Parks, Recreation and Maintenance (PRM):

Recommendation 1.1 – We Concur. Management is in full agreement with the recommendation.

PRM staff reviewed and analyzed existing performance measures. Measures not currently meeting the associated objectives of the department were either adjusted or removed. Proposed measures were submitted to the office of Strategic Performance Analytics on September 11, 2018 for review. PRM staff intend to utilize proposed measures for all FY19 reporting.

Responsible Party: Management Analyst

Implementation Date: September 11, 2018

Recommendation 1.2 - We Concur. Management is in full agreement with the recommendation.

Management has met with staff and will work to ensure the actual work being performed by personnel for the performance measures is adequately and accurately captured for FY19.

Responsible Party: Management Analyst

Implementation Date: August 29, 2018

Finding 2

The performance measures could be defined to provide improved clarity for the reader.

The performance measures should clearly state how the departments were achieving the associated objective and provide all the necessary and relevant information in order to be used for informed management/budget decisions.

Clarification to performance measures reviewed would provide governance and management with a clearer picture of the work that was being measured.

- PRM Department performance measure indicated, *# of miles of right-of-way curb maintained*, but the information used from the NCDOT agreement:

- Referred to “shoulder miles”, and
- Only required the right-of-ways to be “mowed”.
- PRM Department performance measure indicated, *# of right-of-way visits*:
 - However, the NCDOT agreement required all right-of-ways referred to in the agreement to be “mowed” four cycles per year as “routine mowing” and two cycles per year as “clean-up mowing”¹; and
 - The budget document listed 24 right-of-way visits which could be interpreted that maintenance was performed on the 873.00 miles 24 times a year. However, based on the NCDOT agreement each right-of-way was only required to be “mowed” six cycles a year.
- Public Services Department performance measure indicated, *# of miles resurfaced*, the measure did not indicate that:
 - “Streets” were being resurfaced; and
 - The number of miles was “center line” miles.

If the performance measure is not clearly defined, the decision makers may not have all the pertinent information to make informed decisions, and the average user may not be able to effectively evaluate performance from the information presented.

Recommendation

Management should review and update all departmental performance measures to ensure the performance measures are defined so the average user can effectively evaluate the information.

Management’s Response:

Parks, Recreation and Maintenance (PRM):

We Concur. Management is in full agreement with the recommendation.

Management has met with the Strategic Performance Analytics staff to determine a better process of reporting performance measures. Staff will update performance measures to effectively tell the story of the work being performed in PRM. Staff will work closely with Strategic Performance Analytics to ensure we are communicating information that can be easily processed and understood by the average user.

Responsible Party: Management Analyst

Implementation Date: September 11, 2018

Public Services:

We concur. Management is in full agreement with the recommendation.

Public services will review all performance measures within each division for full implementation beginning FY 20.

¹ The following are definitions from Exhibit “A” of the 2008 Mowing Agreement with NCDOT:

- Routine mowing: “Generally, the area to be mowed is from the travelway to the shoulder point and one “swath” beyond in fill sections and from the travelway to the ditch line and one “swath” beyond in cuts sections. A “swath” is the width of cut for the mower being used and shall be a minimum of 5 feet. Routine mowing also includes the mowing of sight distance areas at intersections, interchanges, along curves, and sight distance at signs on freeways. On divided highways, mowing in the median shall be performed in accordance with established mowing patterns.”
- Clean-up mowing: “Mowing within the right of way which includes the area established for “routine” mowing extends beyond these limits generally to the right of way line or to established mowing patterns. The areas included are shown on the typical mowing patterns included elsewhere in this proposal. Clean-up mowing includes the mowing sight distance areas at intersections, interchanges, and along curve. On divided highways, mowing in the median shall be performed in accordance with established mowing patterns.”

Responsible Party: Each division manager will be responsible for implementation.

Implementation Date: July 1, 2019

Finding 3

The performance measures data could not be validated.

The performance measures data reported in the budget document needs to be accurate in order to be used for informed management/budget decisions.

However, Internal Audit could not validate the number reported for the *# of miles resurfaced*. The original number provided by the Public Services Department in the fiscal year 2018 budget document for the fiscal year 2016 actuals was 15.32. However, based on Internal Audit request, the Department indicated the fiscal year 2016 actuals were 16.62. The Department provided a document created and maintained in EXCEL by the Department totaling 16.62. Documentation was not provided and could not be recreated reflecting how the original number of 15.32 was calculated.

Based on Internal Audit inquiry, the Department indicated the reason the fiscal year 2016 actual number changed from 15.32 to 16.62 was due to the timing of when the number was needed to report in the budget document and when the work was actually completed for the fiscal year 2016 Phase II street resurfacing contract. The Department indicated the 15.32 was the actual number of miles resurfaced at the time the number was due for the budget document.

If the performance measure data is not accurate, then decision makers could be ineffectively allocating resources.

Recommendation

Management should review and update all departmental performance measures to ensure the performance measures provide the reader with all the necessary information to make informed decisions.

Management's Response:

Public Services:

We concur with reservations. Management is in agreement with the recommendation, but there are circumstances that could affect its implementation which have to be resolved.

Actual performance measures are requested to be finalized in July for the previous FY ending June 30th. Some performance measures such as those linked to cost are subject to minor changes for example when invoices are posted late by the vendor. It is requested that there is a process for allowing updates to the performance measures based on receipts of delayed data.

Responsible Party: Each division manager will be responsible for implementation.

Implementation Date: December 1, 2018

CONCLUSION

The City is on the right track to utilize performance measures to allocate resources where they are needed; however, there are several areas that must be addressed if performance management is going to have the intended impact:

- Measures should be selected and designed that tell decision makers about the performance that relates to the objectives management is trying to achieve. Therefore, current measures should be examined to determine if they can be used for evaluating the effectiveness of programs and activities and ultimately achieving the objectives that decision maker's value (relevance).
- Ensure the actual work performed can be collected and accurately reported so that trends can be observed in order to make knowledgeable management/budget decisions (validity).
- Decide if the data will always be collected in the same manner to ensure the data used for measures is accurately documented and easily recreated (consistency).
- Ensure the measures are clearly defined so decision makers are able to interpret the results to make informed decisions (clarity).

Without addressing and resolving these observations, the City's performance measurements may not be interpreted as intended, whereas, the decision makers need to understand the story the performance data illustrates and ultimately be able to effectively allocate the necessary resources for those areas the decision maker's value.

Although the management responses are included in the report, Internal Audit does not take responsibility for the sufficiency of these responses or the effective implementation of any corrective actions.

Internal Audit would like to thank department personnel for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File

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