A Comprehensive Performance Scoping Model
By Hugo R. Trux, IV

When a school sets out to evaluate a student's progress, it does not just assess it in one or two subjects; instead it evaluates the student as a whole, along with all subjects, behavior, attitude, etc.--along multidimensional variables. The same approach can also be applied to the performance audits being conducted with increasing regularity within government entities.

Government performance auditing grew out of financial auditing, with its emphasis on risk-based scoping, i.e. auditing areas where there is the greatest opportunity for fraud and misrepresentation[1].   The other ancestor to government performance auditing is the area of program evaluation which grew out of social science academia[2].

The Model. This scoping model is designed to assure that a *comprehensive overview* is considered when scoping begins and objectives are laid out.   Based on the premise that *you do not get answers to questions you don't ask*, the comprehensive overview is designed to address and query all significant aspects of an organization.   The model has five (5) main foci which clearly overlap and influence one-another. The <u>performance audit</u> product is the "sweet spot" in the center.
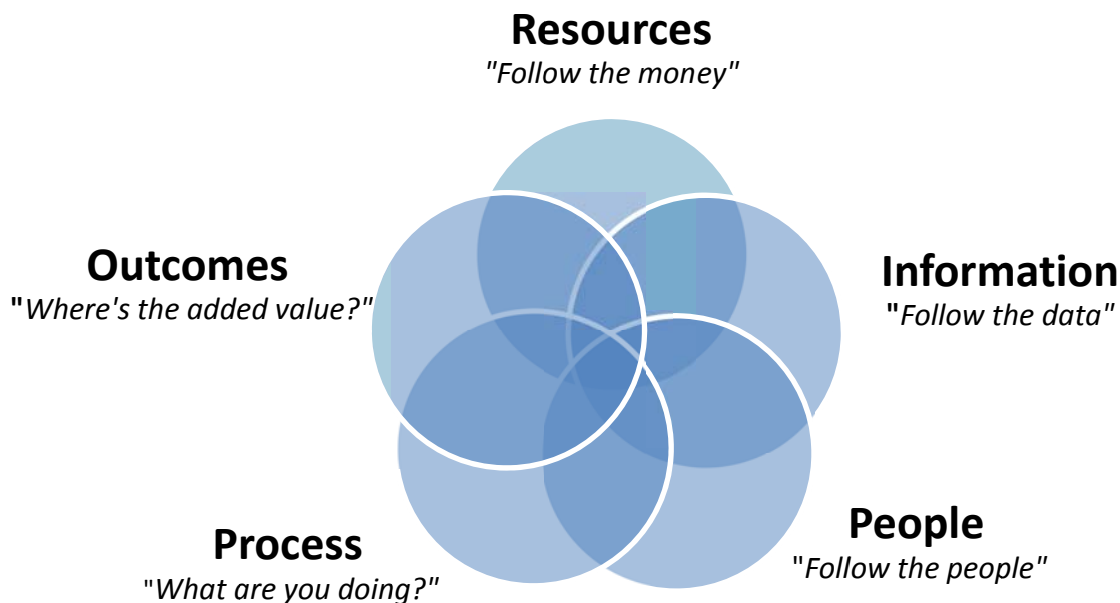

Resources
"Follow the money"

Outcomes
"*Where's the added value?"*

Information
"*Follow the data"*

Process
"What are you doing?"

People
"Follow the people"

Figure 1 Venn diagram of a Comprehensive Performance Scoping Model

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[1] GAO, **Government Auditing Standards**, 2011
[2] E.g. Dated but still relevant is my well-thumbed handbook: Anderson, Wayne. F.; Frieden, Brenden J.; Murphy, Michael. A. *eds.,* **Managing Human Services**, Washington D.C.: International City Management Association, 1977

The five foci are: Resources, Information, People, Process and Outcomes. The questions described below are only meant to be illustrative of the areas to explore, and certainly are not meant to be inclusive.

- The first focus is on **Resources**. Looking at resources allows us to ***follow the money***, and is one of the traditional aspects of government performance audits. This category looks at how the money is used as it pertains to the mission; where it comes from; and where, as well as, how is it spent? What types of needs assessments or business cases are prepared to support major capital purchases? What types of competitive purchasing policies are utilized to procure goods and services? Are there sufficient or excess assets, and how are they disposed of? What types of controls exist to manage and protect resources?

- Scoping **Information** is where we ***follow the data***. All enterprises require information and the communication of that information to survive. With this focus, we reach beyond the existing computer systems to also ask whether information is optimized. Is the right information collected? Is it in the right format? Is it accessible to those who need it, and when they need it? Is it adequate, relevant, and accurate? What types of safeguards are in place to assure data integrity and data protection?

- **People** *are* the enterprise. To ***follow the people***, not only do we look at salaries and overtime, but the organizational structure, span of control, job descriptions, bargaining agreements, and employee policies. Are employees properly utilized, what are the staffing patterns; what kinds of control and communication systems exist; what kind of assignments are they given (and not given); what kind of training and evaluation do they receive? On a macro level, we can identify waste due to flawed policies, inefficient work environment, and staffing assignment *vis-à-vis* goal alignment.

- Originally labeled "systems", **Process** has a new significance thanks to the Lean Six Sigma disciplines[3]. Process answers: "***What are you doing?***" It emphasizes the *effort* entailed in producing outputs and products. Process auditing asks what the entity does, and how they do it. How much time, motion, and material are consumed? What are cycle times; how much error is inherent in the process, including both the inputs and the process itself? Process waste is identified for elimination. Opportunities to reduce risk are identified for mitigation within program areas. Processes are also reviewed for streamlining and/or automation?

- **Outcomes** are probably the hardest scoping area to deal with, and are most often omitted because of their complexity. By following the outcomes, we ask "***Where's the added value?***" or "Where's the bang for the buck?" How do we optimize the value received or

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[3] **Lean Six Sigma** is a process improvement concept comprised of "Lean" and "Six Sigma" methodologies, resulting in the elimination of the seven kinds of wastes (often classified as Defects, Overproduction, Transportation, Waiting, Inventory, Motion and Over-Processing) and provision of goods and service at a rate of 6 sigma, or 3.4 defects per million opportunities (DPMO).

improve the efficacy of program delivery?" We ask is the outcome what the customer *desired*, and more importantly, is the outcome what the customer *needs*.[4]   Are customer needs optimally met; are customers satisfied? Are performance targets appropriate? How do these compare against comparable benchmarks?[5]   Dollar-cost accounting, cost benefit analyses, and cost-outcome accounting are financial tools employed in following the processes.

Understanding outcomes also require one to zoom out for a wider view, beyond the individual level, to the societal level. Some policies are effective at the micro level, but cause more harm or *unintended consequences* at the macro level.[6]

Using the Model. Audit managers who are planning audits can use this model as a checklist to validate the comprehensiveness of their planned audit. They can ask themselves in every section: "Have we looked at Resources, Information, People, Process and Outcomes? " Or, "Have we followed the money; have we followed the data?"

Hopefully, a more comprehensive performance audit will provide even greater return for your customer's investment.

Next Steps.   To better understand the current state of the art of scoping performance audits, it would be useful to empirically research public and private sectors audits. The survey would analyze the procedures or questions asked, and categorize them according the model presented in this paper. This research could also determine the reason for exclusion of some foci: *e.g.* due to budgets, client specification, etc.

A useful development step would be to develop a comprehensive list of objectives to be used in scoping, writing letters of agreement, and even developing questions or procedures. If such a list was set up in SharePoint or in an online community (possibly LinkedIn or a trade association), performance auditors could contribute to a shared body of knowledge. To optimize its usefulness, such information could be categorized by type of institution (school, police department, mental health service) and by function (finance, human-resources, call center, etc.).

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[4] For example, food stamp recipients don't need food stamps, they need sustenance. The two are not the same. Is there a better way of delivering sustenance with lower overhead, lower fraud, and less loss of esteem?

[5] We want to caution against overreliance on benchmarking, especially for entities willing to be different and innovative. Benchmarking can lead one to chase the median, and avoid seeking the leading edge. Benchmarks might end up becoming a strategic vision blinder.

[6] *E.g.* Providing support for single mothers can have the unintended consequence of keeping them from getting married. *Or:* Loose fishing quotas can maximize profits for a fishing community, but can eventually deplete fish and cause ruin to the same population.

ABOUT THE AUTHOR: Hugo Trux is a performance analyst manager for the Ohio Auditor of State. Mr. Trux has more than three decades of experience in research, planning, and consulting in both private and public sectors. He holds a M.A. degree in Political Science from Ohio State University.

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