
A key component of Maricopa County's managing for results initiative, performance measure certification is inspiring confidence in the reliability of reported performance information.

Performance Measure Certification in Maricopa County

By Ross L. Tate

Editor's note: Each year, GFOA bestows its prestigious Awards for Excellence to recognize outstanding contributions to the practice of government finance. This article describes the 2002 winning entry in the Accounting, Auditing, and Financial Reporting category.

Citizens have come to expect current, reliable information on the performance of their governments. At the same time, public managers have come to recognize the value of knowing the extent to which their organizations are achieving desired results. In response to these demands, more and more governments are experimenting with performance measurement reporting. Shrinking revenues and strained budgets have only heightened interest in performance measurement. What is often overlooked in the push to implement performance measurement, however, is a practical method for ensuring the reliability of performance information. Once a performance measurement system is in place, it is not unusual to detect undercurrents of uncertainty about the accuracy, or even the truthfulness, of reported performance measures.

Although governments are now coming to understand the importance of certifying the accuracy of performance data, few have actually developed programs for doing so. About two years ago, Maricopa County, Arizona, developed a performance measure certification program modeled after the state of Texas' pioneering efforts. Since that time, the county has made significant progress in enhancing the effectiveness of its performance measurement system through data certification. In this article, we describe Maricopa County's approach to performance measure certification in an effort to provide helpful guidance to governments developing their own certification programs.

Managing for Results

In fiscal 2001, the Board of Supervisors adopted a managing for results policy requiring all county departments and agencies to develop strategic plans and performance measures. In Internal Audit, our first reaction to the new policy was to squirm. We understood the value of performance measurement as a tool for evaluat-

ing the extent to which programs, services, and activities are aligned with the county's mission and goals. But we also knew that performance information would be worthless unless decision makers could trust the accuracy of the numbers. The Board and county management also recognized this fact, and they responded by directing Internal Audit to certify reported performance measures. After contemplating the weight of this new responsibility, the anticipation of a new challenge began to take life in our department. Changes began immediately. Implementation ideas and suggestions flowed freely from our staff, and county management gave us an additional employee to support our new workload.

The performance measure certification program was created to enhance the credibility of the county's fledgling performance measurement system. Performance measurement focuses individual employees and the entire organizational culture on achieving results for internal customers and citizens. The county revamped its strategic planning, budgeting, and accounting systems to accommodate this new way of doing business. Our view of auditing also was transformed as we began to focus more sharply on results. The county was able to tackle this formidable task thanks to a profound financial turnaround documented in a November 2001 cover story in *Governing* magazine.

Exhibit 1 illustrates the interrelationships among the five components of Maricopa County's managing for results system: (1) planning for results, (5) budgeting for results, (3) reporting results, (4) evaluating results, and (5) decision making. Departments quantify inputs, outputs, efficiency, and progress toward their outcome goals in specific terms (i.e., What is the true benefit to the public?). Internal Audit's role is part of the "evaluating results" component. Although Internal Audit was used to conducting financial and performance audits of departmental operations, the county needed a much different and customized type of review to support its performance measurement efforts.

Certifying Performance Measures

Internal Audit now performs ongoing independent evaluations



Exhibit 1

MANAGING FOR RESULTS

Decision Making

- Future Demand
- Performance Targets
- Adjust Allocations if Required

Planning for Results

- Vision & Mission
- Strategic - Goals
- Operational - Objectives
- Family of Measures per Program
- Employee Performance Plans

Evaluating Results

- Performance Audit
- Employee Evaluations
- Resources Consumed
- Citizen Survey & Input

Budgeting for Results

- Demand for Services
- Performance Budget
- Resource Allocation

Reporting Results

- Data Verified
- Actuals vs. Forecasts
- Baselines & Benchmarks
- All Customers Included

Deliver Services

Collect Data

Once our test subjects have been selected, we assess the alignment of performance measures with the county's strategic plan, review the calculations of reported measures, analyze data collection procedures, test source documents, and report results. We then report departmental certification results to the reviewed departments and to top management. Departments develop action plans to address deficiencies, which are reported in the county's performance audit reports. Certification results are aggregated and compiled in an annual performance report that is distributed to the Board of Supervisors, the chief administrative officer, and the public. (Exhibit 2 is a sample of the review checklists that serve as the basis for reporting certification results.)

Adapted from the Texas model, Maricopa County uses the following performance measure certification categories to report certification results:

of departmental performance measure collection methods, accuracy, and reporting. Upon completing these evaluations, we assign certification ratings and report our conclusions. Specifically, Internal Audit considers whether reported performance measures are relevant, timely, reliable, understandable, and verifiable. Obviously, we cannot certify every performance measure reported in the county. Instead, we conduct a risk assessment that considers several factors, including organizational changes, the size and volatility of departmental budgets, unexpected performance, concerns relayed by county leadership, previous problems, and date of the last review.

- **Certified**—Reported data is accurate within 5 percent of actual performance and adequate procedures are in place.
- **Certified with Qualifications**—Reported data appears accurate within 5 percent of actual performance, but adequate procedures are not in place.
- **Inaccurate**—Reported data is not within 5 percent of actual performance.
- **Could Not Certify**—Actual performance could not be determined because of inadequate procedures or insufficient documentation.

Exhibit 2

CERTIFICATION CHECKLIST

Department Name: Public Works

Key Measure #1: Percent capital projects requested, prioritized, and recommended on the current list that are completed in that year

A. WAS INTERNAL AUDIT ABLE TO RECREATE THE REPORTED PERFORMANCE MEASURE?	Y	N	REF	INITIALS
1. Is there a summary documentation that supports the reported performance measure data?	Y		40-1.2	JWS
2. Is the performance measure that the auditors recalculated within an acceptable tolerance range? (+/- 5 percent)	Y		40-1.3	JWS
B. DETERMINE THE DEPARTMENT'S METHOD USED FOR DATA COLLECTION				
1. Is the methodology consistent with the measure's definition?	Y		40-1.3	JWS
2. What is the event(s) that begins the process of collecting data for the measuring of performance? (flow chart)				

Note: To view the entire checklist, visit www.maricopa.gov/internal-audit/PerMeasureCert.asp.

Exhibit 3

PERFORMANCE MEASURES SUMMARY TABLE

Department Name: Public Works	Certified	Certified with Qualifications	Factors Prevented Certification	Inaccurate	Not Applicable
1. Percent capital projects requested, prioritized, and recommended on the current list that are completed in that year.	✓				
2. Percent of dams receiving routine maintenance to state and sponsoring agency specifications.		✓			
3. Percent of available lease property parcels leased.			✓		
4. Percent of cumulative linear miles of Zone A watercourses requiring delineation that were delineated and submitted to REMA.	✓				
5. Percent of dollar value of positive media attention received at a rating of five or above (on a scale of one to nine).				✓	
6. Percent of cumulative square miles of watershed identified for Area Drainage Master Plan study where study was completed.	✓				

Exhibit 3 illustrates the rating of the public works department's performance measures.

Program personnel, budget analysts, elected officials, management, and citizens all use performance information. These groups use performance information to formulate opinions, make decisions, and modify or eliminate programs. Internal Audit created and implemented the performance measure certification program to ensure that the critical business information these groups rely on is, in fact, reliable.

Program Implementation

Over the years, the Board of Supervisors has supported the development of a well-trained, professional audit staff skilled in performance auditing and highly familiar with county operations. Consequently, when the Internal Audit Department was charged with developing and implementing a performance measure certification program, it was able to do so without the assistance of external consultants or skilled staff from other county departments. Although Internal Audit uses consultants on certain assignments, we chose not to rely on outside help for performance measurement because it was cost-prohibitive. In the end, the audit manager and three staff members assigned to the project devised a program that has served the county well thus far.

The support of elected officials and senior management is critical to any organizational reform as far reaching as performance measure certification. We were fortunate from the beginning to have the full support of both the Board and county management. The county administrative officer, who spearheaded the managing for results initiative in the first place, recognized from the outset the importance of accurate performance measures and has championed Internal Audit's role in making the program credible in appearance and in fact. The deputy county administrative officer (budget direc-

tor) has since become the day-to-day advocate of managing for results, articulating its vision, specifying county expectations, and identifying resources for training and implementation.

As we began to think about performance measure certification, we decided that we did not want to "reinvent the wheel." Therefore, an obvious first step was to review what other governments were doing in this area. It quickly became obvious that very few governments were actually certifying performance measures. The most notable exception was the State of Texas, which by then had earned a reputation as the leader in performance measure certification. We studied the state's Web site and interviewed the Auditor's Office to learn about Texas' approach. We borrowed some of the elements of the Texas model, customizing the balance to suit our specific needs.

It was important that we temper our ambitious certification program with realistic incremental expectations. We first tested the program on ourselves to correct any obvious problems. For our initial departmental reviews, we selected departments that we knew were familiar with performance reporting, had performance data, and would not resist the evaluation. We also took care to ensure that departments understood up front that performance measure certification was a collaborative effort, not a game of "gotcha."

Performance certification has now been incorporated into our regularly scheduled department audits and has become an accepted, if not welcome, component of county management. Our ultimate goal is to conduct entity-wide performance measure certification reviews on a three-year cycle. We estimate this would require approximately three full-time staff to review the key measures of 54 county departments. Combined, these departments have approximately 600 key measures encompassed within 6,000 total performance measures.

Rather than certifying every single performance measure, we limit our review to key measures. In this sense, our focus is on quality, not quantity. Fortunately, a performance measurement data warehouse was populated before we began. County management created this warehouse to store each department's strategic plan and reported performance results. The data warehouse has simplified the certification process by centralizing performance information.

From the beginning, we limited the scope of our certification reviews to the accuracy of performance measures. In so doing, we avoided becoming bogged down in fixing every problem with the measures. A separate review committee handles questions concerning needed improvements and whether performance measures are aligned with strategic plans. This reflects our fundamental belief that management—not internal auditors—should determine what to measure.

The amount of time required for an auditor to conduct performance measure certification fieldwork for a department depends on the complexity and the number of performance measures reviewed. We review a minimum of five key performance measures for each department. Currently, it takes an average of 20 to 30 hours to certify each measure, including reporting. We are continually improving the certification process by updating and streamlining our procedures.

Challenges

Implementing performance measurement is inherently challenging. Human nature being what it is, there is always the risk of error, manipulation, and simple misunderstanding. In one instance, we noted that a department had reported positive performance results at 125 percent of the department's goals. This case underscored the difficulty of working with managers who do not always understand how numbers can be misrepresented.

To complicate matters, performance measures for many government activities are subjective. For instance, one department we reviewed measures the publicity value of information appearing in the media. The value of the resulting publicity is difficult to gauge in terms of accuracy.

Initial performance measure reviews also must deal with the reality of organizational learning curves and undeveloped data collection procedures. We began the performance measure certification program as a joint learning exercise. As we gain additional experience in certifying performance measures, we continue to apply more rigor to the program.

Looking Forward

So far, we have built a strong foundation for ensuring the credibility of Maricopa County's performance measurement program. However, this is only the first step. Not only must performance measures be reviewed for accuracy, there needs to be an effective way to communicate the meaning of performance measures to government employees, legislatures, and citizens. We are currently experimenting with a "citizens report," similar to a service efforts and accomplishments report, as a vehicle for reporting the performance measures we validate. This report will eventually include all key performance measures and the date they were last certified. Until that time, many of the measures will be reported as "not certified."

In Internal Audit, we make a concerted effort to avoid a "gotcha" approach to auditing. Front-end education and training are always preferable to back-end fixes. We expect to be at the forefront of Maricopa County's training and education outreach for performance measurement. We recently produced several entertaining training videos called "control self-assessments" that we use in conducting cash handling and contract administration workshops. Building on these successes, we intend to lead control

self-assessment sessions that will help county departments pinpoint strengths and weaknesses in their respective performance measurement activities.

As the scope and sophistication of the performance measure certification program mature, we will need to make sure our staffing levels and expertise are sufficient to meet the challenges and expectations of our stakeholders. We will also need to be a dependable information resource for our Office of Management and Budget as it begins to integrate performance measures into budgetary decision making.

Conclusion

Too often, decision makers take performance measures at face value. In the absence of a certification mechanism, departments may misstate their performance and thus skew important decisions. Indeed, many decision makers have become wary of the reliability of the performance measures reported in budget documents and other reports. When this happens, the value of performance measurement is undermined. To allay fears about the reliability of performance data, some governments have begun to certify the accuracy of reported measures.

Maricopa County's performance measure certification program has expanded our audit universe by reaching beyond traditional audit activities to include validating the performance of a new and evolving countywide accountability system. Although the program is new, we already have received positive feedback from our customers, namely, county leadership and departments. The Internal Audit Department has received requests for additional performance measure certification reviews from county leaders. Their increased confidence in the reliability of performance information for decision making is the measure of this program's success.

Our research indicates that few counties are verifying the accuracy of performance measures as part of a systematic performance measurement effort. This is not likely to be the case for long. As more local governments respond to the call for performance accountability, internal auditors will be called on to examine and report on the reliability of performance measures. Other governments can easily adapt Maricopa County's performance measure certification program to their own needs. ■■■

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