

Measuring the Performance of Audit Organizations

GAO's Evolving Experiences

The Honorable David M. Walker
Comptroller General of the United States

19th UN/INTOSAI Seminar
Vienna, Austria
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Presentation Outline

- The importance of performance measures and targets for the United States government
- How GAO assesses its performance
- Why performance measures and targets are important for all SAIs
- Upcoming seminars

Why are Performance Indicators Critical for the U.S. Government?

- Federal spending expected to exceed \$2.7 trillion
- federal revenues reduced by more than \$800 billion in tax preferences
- Agencies produce reams of regulations
- Most federal government policies and programs were created years ago
- The U.S. has no key national indicators

GAO's Performance

- **Compared with a set of standards**
 - Yellow Book and GAO policies/performance indicators
- **Examined over time**
 - Annually, 5-year trend, rolling averages
- **Assessed by peer group**
 - Peer reviews of our performance and financial auditing practices

Compared with A Set of Standards: GAO's Audit Practices

Our annual internal inspection program:

- indicates whether we are conducting our engagements according to the Yellow Book and GAO policies
- identifies audit practice improvements and best practices
- uses GAO managers as inspectors of engagements they did not work on

Compared with A Set of Standards: GAO's Audit Practices

- Internal inspection findings for engagements completed in CY 2005
 - GAO's engagement teams materially followed key controls necessary to assure quality audit products
 - No instances where work was unreliable or contained material errors
- Internal inspection for CY 2006 engagements – currently in process

GAO Performance Measures





RESULTS MEASURES

- **Outcome Measures:**
 - Financial benefits
 - Nonfinancial benefits
- **“Pipeline” Measures:**
 - Past recommendations implemented
 - New products with recommendations
 - Congressional testimonies

Results Measures

Measures	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Target 2007
Financial benefits (dollars in billions)	\$35.4	\$44.0	\$39.6	\$51.0*	\$40.0
Nonfinancial benefits	1,043	1,197	1,409	1,342	1,100
Past recommendations implemented	82%	83%	85%	82%	80%
New products with recommendations	55%	63%	63%	65%	60%

* \$51 billion in financial benefits represents a \$105 return on every dollar the Congress invested in us.

Source: GAO.

Major Selected Financial Benefits in Fiscal Year 2006

- Ensured monetary benefits from federal spectrum auctions for licensing commercial wireless communications services **\$6.1 billion**
- Reduced unobligated funds in the military services' operations and maintenance budget **\$3.9 billion**
- Recommended payment method that cut Medicare costs for durable medical equipment and other devices **\$2.9 billion**
- Helped to ensure that retirement-related benefits for postal service workers would be funded **\$2.2 billion**

Nonfinancial Benefits: Selected Public Laws GAO Contributed to in FY 2006

- **Deficit Reduction Act of 2005, Pub. L. 109-171**
 - Strengthening the integrity of the federal health program for the poor
 - Improving oversight of states' performance under the federal welfare program
 - Improving oversight of schools that serve as lenders of funds for educational loans
- **Safe and Timely Interstate Placement of Foster Children Act of 2006, Pub. L. 109-239**

Our Evolving Audit Work – Positive Impact on Outcome Measures

- Early focus on financial auditing
 - Result: greater awareness/accountability; some financial benefits
 - Indicator: ability to identify fraud, waste, and abuse
- Increased expertise in performance auditing
 - Result: significant financial and nonfinancial benefits
 - Indicator: ability to enhance the economy, efficiency, effectiveness, ethics, and equity of federal government

Accountability Organization Maturity Model



Source: GAO.

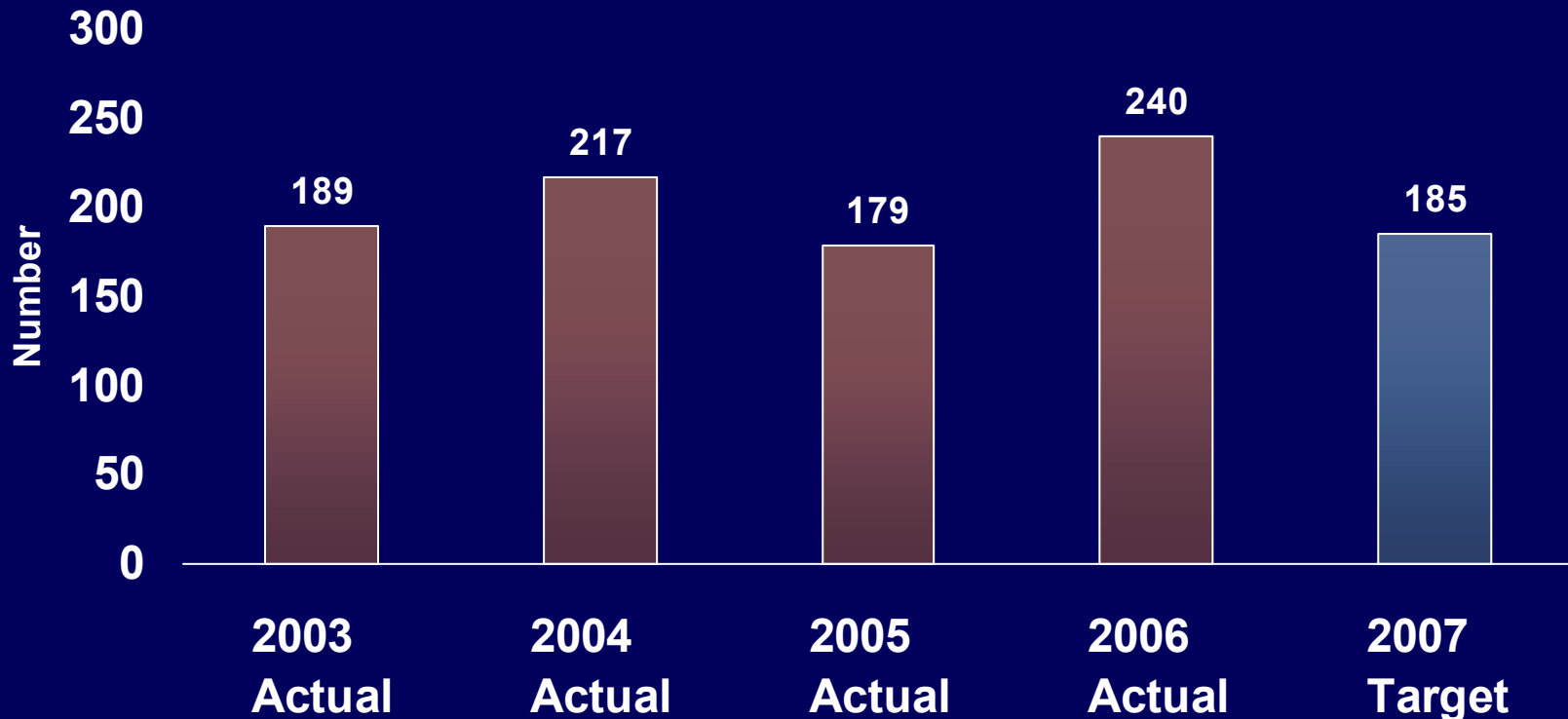


CLIENT MEASURES

To judge how well we serve our client we:

- count the number of congressional hearings where we are asked to testify
- determine whether our products were delivered in a timely manner

Client Measure: Testimonies



Source: GAO.

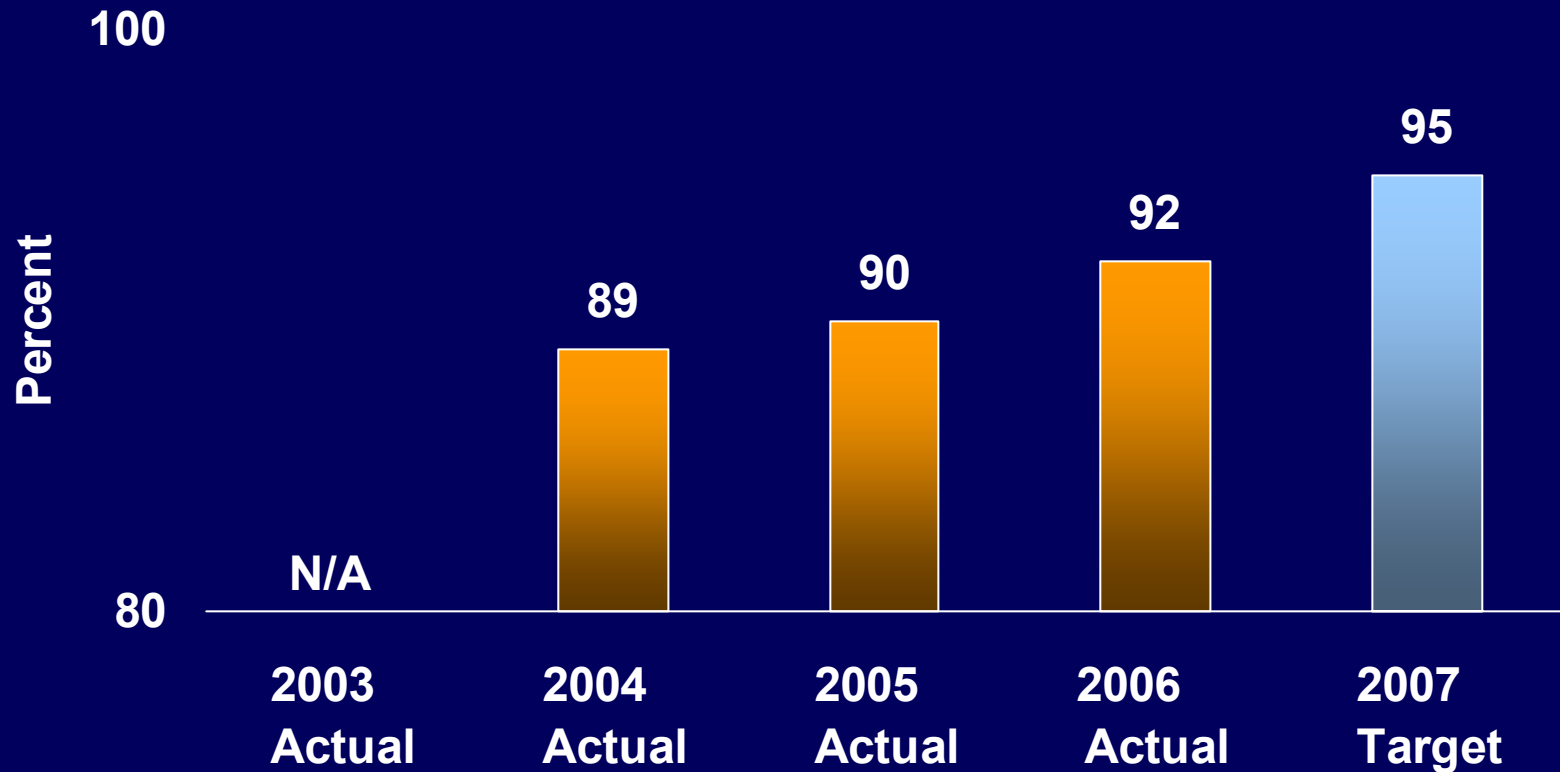
Examples of Issues on which GAO Testified in FY 2006

- Strategy to rebuild Iraq
- Hurricane Katrina response/recovery
- Immigration enforcement at worksites
- Federal crop insurance
- Passenger rail security
- Worldwide AIDS relief
- United Nations procurement controls
- Reducing the tax gap
- Improper payments
- Long-term fiscal challenges
- Defense acquisition practices
- Information security
- Nursing home care for veterans
- Pay for federal executives and judges

Client Measure: Timeliness

- Delivering our products when our clients need them increases the chances that our work will be used
- Our electronic client feedback survey helps us determine whether requesters of our work believe they received our testimonies and significant written products on time

Client Measure: Timeliness



N/A – Not applicable

Source: GAO.

Client Measure: Timeliness

- FY 2004 – Began collecting actual data on our clients' satisfaction with the timeliness of our products
 - Previous measure - % of products issued by the date we agreed to with the requester
- FY 2006 – client satisfaction is high, but survey response rate is low (28%)

We also supplement our client measures with direct feedback

- The Comptroller General's discussions with congressional Leadership and Members
- Continuous outreach to congressional committees by GAO team leaders and Congressional Relations staff

A graphic of the American flag, showing the stars and stripes, with the text 'PEOPLE MEASURES' overlaid in yellow.

PEOPLE MEASURES

- Indicate how well we are:
 - attracting and retaining staff
 - developing, using, leading, and listening to staff

People Measures: Attracting and Retaining Staff

Measures	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Target 2007
New hire rate	98%	98%	94%	94%	95%
Acceptance rate	72%	72%	71%	70%	72%
Retention rate with retirements	92%	90%	90%	90%	90%
Retention rate without retirements	96%	95%	94%	94%	94%

Source: Information from an external database that handles GAO's payroll and personnel data.

People Measures: Developing, Using, Leading, & Listening to Staff

Measure	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target
Staff development	67%	70%	72%	76%	75%
Staff utilization	71%	72%	75%	75%	78%
Leadership	78%	79%	80%	79%	80%
Organizational climate	71%	74%	76%	73%	76%

Source: Responses to questions from our annual employee feedback survey.



INTERNAL OPERATIONS MEASURES

- Indicate how well our internal operations help staff
 - do their jobs
 - improve their work lives
- Help us to continuously improve GAO's business and management processes

Internal Operations Measures

Measures	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target
Help get job done	3.98	4.01	4.10	4.10	4.0
Quality of work life	3.86	3.96	3.98	4.0	4.0

Source: Responses to our annual customer satisfaction survey. GAO staff were asked to rate 21 work-related services and 10 quality of work life areas on a 5-point scale. Baseline data reported in 2003 and 2004.

Assessed by Our Peers: GAO's Performance Audit Practices

- An external team of international auditors reviewed our 2004 performance auditing practices and process controls
- Found:
 - GAO's quality control system was suitably designed and operating effectively for 2004
 - Other national government audit offices should emulate several GAO practices
- Next peer review – examine our practices for engagements completed in 2007

Assessed by Our Peers: GAO's Financial Audit Practices

- An external team of experienced auditors:
 - reviewed our financial auditing practices for 2004 and 6 selected financial audit engagements
 - followed applicable AICPA peer review standards and government auditing standards
 - tested compliance with GAO's financial management quality control policies and procedures
 - concluded that the 2004 quality control system for financial audits was designed to meet standards

Performance Indicators Are Important for All SAIs

SAIs must strive to develop indicators that

- help to determine their strength and value
- are consistent with the SAI's mission
- help to gauge progress towards SAI goals
- include output and outcome metrics
- are reexamined periodically for relevance
- promote economy, efficiency, effectiveness, ethics, and equity

Upcoming Key Seminars in 2007

- UN - Vienna, Austria, June
- OECD - Istanbul, Turkey, June
- INCOSAI - Mexico City, Mexico, November
- GAO/World Bank/INTOSAI – Washington, DC, November

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