

INTERNAL AUDIT REPORT

2022-01

Performance Measures

Office of Management and Budget

February 2, 2022

MUNICIPALITY OF ANCHORAGE
Office of Internal Audit
632 W 6th Avenue, Suite 710
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



OFFICE OF INTERNAL AUDIT
Michael Chadwick, CIA, CICA
Director
Phone: (907) 343-4438

E-Mail: michael.chadwick@anchorageak.gov



MUNICIPALITY OF ANCHORAGE
MAYOR DAVE BRONSON

OFFICE OF INTERNAL AUDIT

February 2, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-01, Performance Measures, Office of Management and Budget**. A summary of the report is presented below.

In accordance with the 2021 Audit Plan, we have completed an audit of Performance Measures. The objective of this audit was to determine whether the “Performance. Value. Results.” performance measures reported on the Municipality’s website were achieving the intended purpose of the “Performance. Value. Results.” Initiative. To accomplish our objective, we reviewed the performance measure reports for the first and second quarters of 2021, from a judgmentally selected group of ten departments/divisions (referred to as “department(s)” in this report) consisting of: Anchorage Water and Wastewater Utility, Development Services, Property Appraisal, Health, Maintenance and Operations, Port of Alaska, Project Management and Engineering, Purchasing, Solid Waste Services, and Traffic Engineering. We then reviewed and determined if the “Performance. Value. Results.” reports submitted by the selected departments could be adequately verified with supporting data. Additionally, we sought to determine if the performance measures submitted by all municipal departments communicated to the public how well a department was doing in providing core/direct services. Finally, we determined if all departments were properly reporting performance measures, and if these measures had stated targets to help the readers understand if the department’s key accomplishment goals were met.

Some of the performance measures reported on the Municipality of Anchorage’s website for the “Performance. Value. Results.” Initiative need improvement. Specifically, several departments’ “Performance. Value. Results.” reports did not contain required performance measures or contained performance measures that were missing information, missing targets, and/or did not provide meaningful information. Moreover, some “Performance. Value. Results.” reports we reviewed from selected departments were incomplete or contained various errors. Furthermore, website usage metrics provided by the Office of Information Technology showed low viewing numbers for the “Performance. Value. Results.” reports, which may indicate minimal usage of the “Performance. Value. Results.” Initiative by the public. Finally, oversight of the “Performance. Value. Results.” Initiative needs to be re-examined.

There were four findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



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Introduction. The Municipality of Anchorage (Municipality) launched the “Performance. Value. Results.” (PVR Initiative) in February 2010. According to the “Anchorage: Performance. Value. Results.” instruction guide (PVR guide), this “. . . initiative is a framework designed to communicate to citizens the services currently being delivered and the results being achieved.” As part of this initiative, each department and division was instructed to create a strategic framework that would “. . . succinctly communicate to citizens and decisions [sic] makers information about what a department does, how it does it, and how well it is doing it (i.e. results).”

The PVR guide states that “Each framework will have four primary elements—mission, core services, key accomplishment goals, and performance measures.” The mission “. . . is a concise statement of why a department exists, how it uniquely contributes to the whole, and unifies the department’s core services.” The core services describe “. . . a department’s customer-oriented major function(s) that aligns with the department’s mission (i.e. what the department does in order to achieve its mission).” Key accomplishment goals identify the “. . . functions that are critical to improving and/or maintaining that service. There should be an accomplishment goal identified for each core or direct service.” Finally, performance measures “. . . track and communicate how well a department or division is doing in providing core/direct services.”

In addition, Anchorage Municipal Code (AMC) section 6.40.016, *Quarterly report of performance measure data*, requires that “Each department shall report program performance quarterly to the Assembly by no later than 30 days after the end of the quarter, using the performance measures identified by each department as required under section 6.10.036. The Quarterly Reports of Performance Measure Data shall be posted on the municipal website for current and historical public review.” Office of Management and Budget (OMB) staff reviews performance measures, collects, and posts the PVR reports on the Municipality’s website.

Objective and Scope. The objective of this audit was to determine whether the PVR performance measures reported on the Municipality’s website were achieving the intended purpose of the PVR Initiative. To accomplish our objective, we reviewed the performance measure reports for the first and second quarters of 2021, from a judgmentally selected group of ten departments/divisions (referred to as “department(s)” in this report) consisting of: Anchorage Water and Wastewater Utility, Development Services, Property Appraisal, Health, Maintenance and Operations, Port of Alaska, Project Management and Engineering, Purchasing, Solid Waste Services, and Traffic Engineering. We then reviewed and determined if the PVR reports submitted by the selected departments could be adequately verified with supporting data. Additionally, we sought to determine if the performance measures submitted by all municipal departments communicated to the public how well a department was doing in providing core/direct services. Finally, we determined if all departments were properly reporting performance measures, and if these measures had stated targets to help the readers understand if the department’s key accomplishment goals were met.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Overall Evaluation. Some of the performance measures reported on the Municipality’s website for the PVR Initiative need improvement. Specifically, several departments’ PVR reports did not contain required performance measures or contained performance measures that were missing information, missing targets, and/or did not provide meaningful information. Moreover, some PVR reports we reviewed from selected departments were incomplete or contained various errors. Furthermore, website usage metrics provided by the Office of Information Technology (OIT) showed low viewing numbers for the PVR reports, which may indicate minimal usage of the PVR Initiative by the public. Finally, oversight of the PVR Initiative needs to be re-examined.

FINDINGS AND RECOMMENDATIONS

1. Some Performance Measures Missing Information/Targets, and/or Not Meaningful.

- a. **Finding.** Several departments' PVR reports did not contain required performance measures or contained performance measures that were missing information, missing targets, and/or did not provide meaningful information. For example:
- *Missing Information* - Seven of 35 (20%) PVR reports posted on the Municipality's website were missing corresponding performance measures for each of their stated key accomplishment goals as instructed by the PVR guide.
 - *Missing Targets* - Nineteen of 35 (54%) departments' PVR reports contained performance measures that were missing defined targets. As a result, these measures only reported the numerical quantity of the output produced but failed to provide information to gauge the departments' relative performance. The PVR guide states that "Too often governments focus on outputs – how much of something they do such as workload measures or the quantity of the delivered services to the user. Such output measures do not evaluate if the activity is effective in addressing a problem or achieving a quality level of service."
 - *Information Not Always Meaningful* - Some of the reported performance measures may have been meaningful to management, but of little interest to the public. For example, one department reported overtime hours and pay, operating income, and Occupational Safety and Health Administration recordable incidents. While these may be important to management, they may have little value to the public about the services being delivered to citizens.

In addition, staff at one department stated that by design their performance measures will usually show a 100 percent success rate because of the way the workflow was

designed. For example, the department measured the number of inspections entered into its inspection tracking system, which is always 100 percent. A subsequent measure then tracked the number of these inspections automatically forwarded to the supervisor for review. In this case, the performance measure will always be 100 percent because the system routes each inspection to the appropriate supervisor's "To Do List."

Performance measure reports are intended to communicate to the public how well a department is doing in providing core/direct services. Reports that are incomplete or missing information/targets, or measures that don't convey meaningful information do not adequately communicate service-related information to the public

- b. **Recommendation.** The OMB Director should ensure that department performance measures are reviewed to confirm they are thorough, complete, and convey accurate and meaningful information to the citizens regarding the services being delivered.

- c. **Management Comments.** Management stated, "Concur. The Administration agrees that it is important that performance measures are thorough, complete, accurate, and convey meaningful information. Throughout 2022, OMB will work with the departments to review existing measures and data to ensure accuracy and that the measures convey information that is meaningful to Anchorage residents. Review of results will continue to be integrated into the budget decision-making process and the Mayor will engage in periodic reviews of performance information with the departments throughout the year."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Some PVR Reports Incomplete or Contained Errors.**

- a. **Finding.** Some PVR reports we reviewed from selected departments were incomplete or contained various errors. For example, two department reports did not contain all the framework elements described in the PVR guide such as mission and core services. Four other PVR reports did not define the “measure elements”, as described by the PVR guide for the development of the individual performance measures (type of measure, accomplishment goal supported, definition, data collection method, frequency, etc.). As a result, it was difficult to determine how the information reported in the PVR reports was related to how the departments were achieving their missions.

Finally, four other PVR reports contained various typographical and drawing errors potentially creating confusion for the readers. For example, one department stated that a certain service was to be completed within 72 hours. However, the visual target line and label on the corresponding graph in the department’s PVR report stated that the service would be completed “. . . in 84 hours or less.” Another department’s PVR report stated that certain services were to be completed with 90 percent and 95 percent targets, but the corresponding labels on the graphs left the numerical values missing by stating “Goal = __”. Finally, another department report set certain service goals at 95 percent, but the visual target lines on the corresponding graphs were drawn at 85 percent, 87 percent, and 60 percent. Some of these errors had persisted and were repeatedly published or never corrected on the Municipality’s website over the course of several years, at least as far back as the first quarter of 2019. Reports that contain material errors, as well as typos and drawing errors do not convey a sense of competency or efficiency to the citizens of Anchorage.

- b. **Recommendation.** The OMB Director should ensure that all department PVR reports are reviewed to ensure they are complete and free of errors before being published on the Municipality’s website.

- c. **Management Comments.** Management stated, “Concur with the spirit of the recommendation. OMB will review department submissions to ensure they are complete and accurate prior to publishing on the Municipality’s website starting with the first quarter 2022 reports from departments. Regarding the completeness of the reports, if a quarterly report does not include data, an explanation will be included as to why it is unavailable at this time. OMB will periodically review the accuracy of the data, but it does not have the resources to review all data and data collection methods for all measures every quarter.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Website Metrics Indicate Low PVR Initiative Usage.**

- a. **Finding.** Website usage metrics provided by OIT showed low viewing numbers for the PVR reports, which may indicate minimal usage of the PVR Initiative by the public. Specifically, the PVR website received 376 “Unique Pageviews” for the twelve-month period between September 7, 2020, through September 7, 2021. This represents approximately 0.005 percent of the 7,924,260 “Unique Pageviews” for the entire municipal website during that same period. These low website usage metrics suggest that the PVR Initiative may not be meeting its stated goal of communicating “. . . to citizens [of Anchorage] the services currently being delivered, and the results being achieved.”

It should also be noted that these 376 “Unique Pageviews” contain the pageviews due to internal municipal department employees accessing the website, including OMB staff for the uploading and verification of the reports themselves, and Office of Internal Audit staff for purposes of working on this audit. Furthermore, some of the “Unique Pageviews” may also be due to the same person, or groups of people counted repeatedly over multiple individual browsing sessions. These factors suggest that the

actual number of individuals accessing the website could be even lower than the 376 pageviews reported.

Finally, other than OMB, department staff told us that they seldom get any questions from the public and management about their performance measures. Although departments may use some of their performance measures to internally manage their processes, it appears that these measures may mean little to the public in determining how well services were being provided.

- b. **Recommendation.** The OMB Director should consider methods to promote increased awareness and public exposure of the PVR Initiative.
- c. **Management Comments.** Management stated, “Agree. OMB will consider ways in which we can increased public awareness of the PVR Initiative.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Oversight of PVR Initiative Needs Re-examination.**

- a. **Finding.** Oversight of the PVR Initiative needs to be re-examined. As stated in our previous audit findings, we found problems with incomplete, meaningful, and erroneous performance measures as well as indications of minimal use by the citizens of Anchorage. In addition, the PVR guide has not been updated since the PVR Initiative was implemented in 2010. Moreover, at the time of this audit, the OMB Director told us that the responsibility for managing and improving the PVR Initiative is “. . . one of the core functions of the OMB office.” In addition, the Director indicated that OMB intended to start improving the PVRs in the first quarter of 2022. Also, training provided by OMB has been on an informal, as-needed bases.

We noted that when the PVR Initiative was launched OMB had seven positions but now has five positions that could be used to work on this effort. However, since 2010 there have been significant changes and events in the Municipality that have impacted OMB such as the implementation of the Municipality's new financial system, the 2018 earthquake, and the COVID-19 pandemic. Given these changes and events, it is unclear if OMB has adequate resources to ensure that the PVR Initiative is fully and properly implemented and that resources are sufficient to provide ongoing training. According to a report from the National Performance Management Advisory Commission, training should not be viewed as a one-time event and "Existing staff benefit from recurring training, and new hires need proper introduction to the way the organization practices performance management."

- b. **Recommendation.** The OMB Director should re-evaluate the PVR Initiative to determine how it can be adequately managed within the constraints of its current resources.

- c. **Management Comments.** Management stated, "OMB agrees and appreciates acknowledging the resources required for an effective performance measure initiative. It's not enough for OMB to focus only on 'inputs' (budget/money spent) without also examining the results and effectiveness of the services being delivered. The overarching goal is a culture of accountability in all departments, so this is not just 'OMB's job.'"

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on December 22, 2021.

Audit Staff:
Derek Reynolds