

VIRGINIA COMMONWEALTH UNIVERSITY
DEPARTMENT OF PUBLIC ADMINISTRATION
PADM 691 (Ref. #1678)
ASSESSING/AUDITING THE PERFORMANCE OF GOVERNMENT OPERATIONS
Summer 1994

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OVERVIEW

Public managers are increasingly being called up to perform assessments/audits that go beyond the traditional determination of whether funds were spent in accordance with legal and financial requirements. These new assessments seek to determine whether monies were consumed in an economic manner and whether desired program results were achieved. Whether these assessment/audit responsibilities are referred to as performance audits, management audits, or operations audits, their aims are the same: to determine how well government operations, activities, departments and programs are working. In many instances, existing public management staff will require new skills to respond effectively to the great demands placed on the agency that is introducing these new assessing/auditing concepts. This course is designed to meet this staff development need.

PROGRAM LEARNING OBJECTIVES

At the end of this program, participants can expect to:

1. Have a thorough understanding of the concepts and practices of performance auditing/assessment.
2. Be able to plan, design, and implement performance audits/assessments as individual assessors.
3. Achieve knowledge and skills that will enhance their ability to determine:
 - a. whether the entity is managing and utilizing its resources economically and efficiently,
 - b. the causes of any inefficiencies or uneconomical practices whether the desired results or benefits established are being achieved, and
 - c. whether the agency has considered alternatives that might yield desired results at a lower cost.

Course resource materials will include case materials and training packages developed by the U.S.

General Accounting Office for management development programs in performance auditing.

COURSE WORK

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|------------|---|
| Module I | Introduction to Performance Auditing |
| Module II | Economy and Efficiency Auditing |
| Module III | Special Topics in Economy and Efficiency Auditing: Operations Assessment and Setting Performance Standards |
| Module IV | Program Audits (Effectiveness Auditing) |
| Module V | Special Topics in Program Audits (Effectiveness Auditing): Cost Effectiveness Analysis and Establishing Measures of Effectiveness |

SPECIAL RESOURCES THAT WILL BE USED IN THIS COURSE

Texts:

Melton, Kim, Introduction to Statistics for Process Studies
Wooldridge, Assessing the Performance of Government (Campus Copy, 913 W. Grace St., 804-353-2113)

Class participants are urged to read the daily papers and other current journals for relevant articles. Materials of importance should be brought to class for discussion. Students should make themselves aware of the various journals of interest published by the professional associations and universities. Examples include:

Public Administration Review
Public Policy
The American Political Science Review
Policy Sciences
Administrative Science Quarterly
Policy Analysis
Government Accountants Journal
Public Interest
State Government
Public Management
Government Finance Review
Urban Finance Quarterly
Municipal Yearbook
Policy Studies Journal
Nation's Cities
Industrial Relations
Public Productivity Review
Public Administration Quarterly
Administration and Society
Public Personnel Management

Sage
Public Administration Abstracts
Personnel Journal
National Productivity Review
The various publications from the Urban Institute
International Journal of Government Auditing

Be sure to be familiar with the endnotes and references in your readings.

I am sure that you will use the various computerized databases in the library, such as Psych Lit, Wils (a social science database), ABI (a business/management database) and ERIC (an education database), useful in carrying out your research.

Be sure to discover the resources available in Government Documents section of the library as well.

STUDENT RESPONSIBILITIES

Since it is expected that you will actively participate in the class discussion, it is necessary that assigned readings be completed prior to class time. **YOU SHOULD DEVELOP QUESTIONS THAT WILL HELP YOU BETTER UNDERSTAND THE READING MATERIAL.** Class sessions will be spent responding to your questions and presenting new material. You are advised to use the syllabus as an aid in doing the readings. I might even throw in a "pop quiz" just to see if the readings are understandable. The results of such a quiz will not count towards your grade. I also recognize that there is a large amount of reading required and that the educational value of this experience to you is a function of your preparedness so please read each assignment closely. **SINCE THE GRADED ASSIGNMENTS WILL REQUIRE REFERENCES TO THE LITERATURE YOU MIGHT FIND IT USEFUL TO TAKE COMPLETE NOTES AS YOU DO THE READINGS.**

Experience from previous classes leads me to expect that you will probably spend an average of 4-6 hours per session doing the work for this course. I would like feedback from you as to the amount of time required to successfully complete the work for this course so please keep track as you do the assignments/readings.

Please make sure that you are clear as to the expectations of in-class and written assignments and that you obtain adequate feedback on your performance. Since an additional goal of this class is the fostering of adequate communication skills, you are urged to examine your written work for deficiencies in clarity of presentation. Specific minimum learning objectives have been identified for each class session. You should achieve those objectives through the readings, class discussions, lecture or any other means. Let me know if you feel that these objectives have not been met.

IT IS EXPECTED THAT CLASS PARTICIPANTS WILL ATTEND EVERY SESSION.

Assignments:

There will be three (3) written graded assignments. All of these will be of the "take-home" variety. The assignments are as follows:

1. Research paper on accountability/audit/evaluation in the Public Sector 20%
2. Preparation of E & E assessment 40%
3. Preparation of Program Audit 40%

Detailed descriptions of the assignments are provided at the end of this syllabus. Assignments are to be completed at the beginning of the sessions indicated. Since each of these will require time to complete, you might find it useful to begin the assignment as soon as you receive it. Each of these four written assignments should reflect graduate level work. That is, the written work meets the objectives of the assignment, is in clear, correct English, and shows conceptual understanding of major issues with pertinent points discussed in a way that demonstrates some creativity or originality (rather than merely stringing together a series of quotes). There should be a good grasp of reading material evidenced and quoted in the written assignments. These assignments will require research into materials additional to the assigned readings. It is expected that each assignment will use books, research articles and electronic sources as reference materials. These written efforts should reflect the writing style, tone and approach of such professionally-orientated journals as the Public Administration Review, Public Productivity & Management Review, The Academy of Management Review, and/or Public Personnel Management.

At the end of this syllabus is a description of the University's Honor System. It describes "Pledged" and "Unpledged" assignments. Just to confuse you, the assignments in this course will be a hybrid of these two concepts. You are encouraged to shared useful resources and to discuss your potential responses to these assignments and to both offer and to receive assistance in using the electronic spreadsheet in completing assignments two and four. However cheating, plagiarism, the facilitation of academic dishonesty, abuse of academic materials, stealing, or lying will be considered violations of the VCU Honor System.

The Department of Public Administration is discouraging the use of "Incompletes" (see memo from Departmental Chair). Please make every effort to complete all of the assignments before the end of the grading period. If, for some unavoidable reason you must request an "Incomplete" you must notify me in advance and complete the necessary paper work. However, when the incomplete assignment is turned in, it will be consider late, unless there is an approved excuse such as illness. Likewise, if you decided to withdraw from this course you must do it before the eighth class session, and after completing the necessary paper work.

Special Note: If you would like to demonstrate your mastery of the course objectives by some means other than one or more of the three graded assignments please discuss with me what you

would like to do. This discussion must take place before the assignment is due. Again, I would like to have feedback as to the relative "benefits/costs" associated with each assignment. Please make a note as you complete the assignment and report your perceptions to me at the end of the course.

FACULTY RESPONSIBILITIES

I will be responsible for leading an in-depth discussion and providing clearly articulated learning objectives on each subject area; furnishing class participants with adequate bibliographies and electronic sources covering the field; and counseling you in regard to preparation for the assignments. I will be delighted to review drafts of your work before final submission. Participants can "re-do" one of the assignments if they wish. The final grade will be the mean of the two efforts. I will also provide feedback on your performance after each graded assignment and be available to meet with you at a mutually convenient time.

I will have office hours from 2-5 pm Mondays and Wednesdays, and I am usually available at the same time on Tuesdays and Thursdays. I can be available for appointments at these times, before and after the class sessions, and in the evenings on most Tuesdays and Thursdays. You can take your chances on "dropping in" on at the specified times, but even at those times it would be better to call ahead since there are often committee meetings, etc. I am delighted to meet with you and, in addition, will guarantee to return your calls to either my office or my home.

As an instructor, I am concerned about the equality of access to education. To that end, I am happy to work with students to make reasonable accommodations in instruction and testing. If you have a documented disability of any kind that requires accommodation, please inform me in writing before the end of the second session of this class.

MODULE 1. INTRODUCTION TO PERFORMANCE ASSESSMENT/AUDITING

OVERVIEW

This module will introduce the concept of Performance Assessment/Auditing; define and discuss important terms relevant to this concept; and provide an overview of the entire course. Topics will include: growing importance of the assessment/audit function; a historical evolution; limitations of financial and compliance auditing; and the definitions and scope of expanded scope assessment/auditing. Participants will become aware of the elements of an audit finding/objective and the importance of the concept of evidence and the sources of evidence.

LEARNING OBJECTIVES

At the end of this module participants will be able to:

1. Describe the changing role of the public sector auditor.
2. Define and describe the scope of Financial and Compliance Assessing/Auditing, Economy and Efficiency Assessing/Auditing, and Program Audits (Effectiveness Assessing/Auditing).
3. Recognize and discuss the importance of the relationship and linkage between program assessment and budgeting.
4. Describe the levels of the planning hierarchy; distinguish between strategic and managerial planning and recognize the relationship between these levels; relate strategic and managerial planning to program assessment.
5. Identify and distinguish between the various types of program measures used in program assessment. Relate each program measure to the information it provides concerning the program.
6. Define and discuss the concept of evidence. Describe and discuss sources of evidence, types of evidence, quality and reliability of evidence, categories of validity of research, and threats to research validity.
7. Define, describe and discuss the concepts of audit objectives and elements of an audit objective/finding.

Readings:

Wooldridge, "Towards the Development of an Integrated Financial Management System,"
Government Accountants Journal, Fall 1982.

Handouts from GAO "Yellow Book" and Brown, R., Auditing Performance in Government
Wooldridge, Assessing the Performance of Government, pp. 1 - 107.

MODULE 2. ECONOMY AND EFFICIENCY ASSESSING/AUDITING

OVERVIEW

This module is designed to increase the ability of public sector officials to organize and execute economy and efficiency assessment/audit of public sector activities. Economy and efficiency

assessment/auditing is designed to determine (a) whether the entity is acquiring, protecting and using its resources (such as personnel, property, space) economically and efficiently, (b) the causes of inefficiencies or uneconomical practices, and (c) whether the entity has complied with laws and regulations concerning matters of economy and efficiency. This module will cover the steps and procedures involved in planning and conducting economy and efficiency assessments/audits.

LEARNING OBJECTIVES

At the end of this module, participants will be able to plan, organize and establish guidelines for E & E assessment/audits; identify principles of E & E assessment/audits; and, using the fundamental tools of E & E, analyze, assess the economy and efficiency of government operations. Participants will also be able to make a detailed E & E assessment/audit examination.

Readings:

Wooldridge, pp. 107 -176

MODULE III. SPECIAL TOPICS IN ECONOMY AND EFFICIENCY ASSESSMENT: OPERATIONS ASSESSMENT AND SETTING PERFORMANCE STANDARDS

OVERVIEW

Introduction: In "Economy and Efficiency Assessment" the auditor may, where appropriate, consider whether the entity is:

1. following sound procurement practices
2. acquiring the appropriate type, quality, and amount of resources when needed at the lowest cost.
3. properly protecting and maintaining its resources.
4. avoiding duplication of effort by employees and work that serves little or no purpose.
5. avoiding idleness and over staffing.
6. using efficient operating procedures.
7. using the minimum amount of resources (staff, equipment, and facilities) in producing or delivering the appropriate quantity and quality of goods or services in a timely manner.
8. complying with requirements of laws and regulations that could significantly affect the acquisition, protection, and use of the entity's resources.
9. equipped with an adequate system for measuring and reporting performance on economy and efficiency.

One very important aid in coming to a conclusion as to the efficiency of an organization's operations is the use of performance standards and the techniques of operations assessment. Performance standards estimate the time necessary to complete a task in order to evaluate operational efficiency. Actual performance is generally then compared against performance

standards. Using the techniques of operations assessment, auditors will be able to identify inefficient practices and procedures.

LEARNING OBJECTIVES

At the end of this module, participants will be able to define key terms in performance standards and work measurement and will become aware of major approaches to setting performance standards. Participants will understand how performance standards can be used in an organization to assess and compare organizational efficiency. In addition, participants will be able to effectively analyze any work-oriented situation or problem, and through the application of an organized approach, be able to identify probable causes of uneconomical and inefficient practices and select from possible alternative solutions.

Readings:

Wooldridge, pp. 178 - 236

MODULE IV. PROGRAM AUDITS (EFFECTIVENESS ASSESSMENT/AUDITING)

OVERVIEW

Program audits determine (a) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, (b) the effectiveness of organizations, programs, activities, or functions, and (c) whether the entity has complied with laws and regulations applicable to the program. In carrying out these new responsibilities evaluators must be able to assess the adequacy of management's system for measuring effectiveness as well as state their conclusions as to the cost effectiveness of the program selected.

The importance of conducting reviews of program results has been highlighted in numerous articles. If public sector officials are to be responsible for evaluating the effectiveness of government agencies, they must assess the results of their programs in terms of their intended objectives. This module is designed to increase the participants understanding of how to conduct program results reviews. It will provide a concise, systematic approach to conducting such reviews in accordance with the established assessment/audit standards for audits of government organizations, programs, activities, and functions; an approach that adheres to internal assessment/auditing policy and procedures, yet provides for a thorough and accurate analysis of situations warranting further review. A case study format, combined with lecture, is used to provide a conceptual framework for understanding the manner in which programs are conducted and evaluated.

LEARNING OBJECTIVES

Upon completion of this module, participants will be able to:

1. Define and discuss basic terminology related to program audits.

2. Define, discuss and apply the basic conceptual elements needed to plan and conduct a program audit.
3. Be aware of the current developments and issues in program auditing.
4. Apply program auditing to local situations.

MODULE 5. INTRODUCTION TO PROGRAM RESULTS REVIEW/EFFECTIVENESS AUDITS

Definition and purpose of Program Audits

Steps in the Program Audit Process

Case Study of a Program Audit.

Objectives:

At the end of this session participants will be able to describe the definition and purposes of Program Audits/Effectiveness Audits and describe each step and its purpose in the Program Auditing Process. Participants will, after analyzing a case, be able to distinguish Program Audit from other types of audits.

Stage I: PERFORM PRE-REVIEW SURVEY

Assignment Clarification

Program Familiarization

Decision to Continue: Go or No Go

Selecting a Review Strategy

Development of Work Plan

Objectives:

At the end of this session participants will understand the key issues to clarify before accepting or beginning a Program Audit assignment. Participants will be able to (1) obtain a clear understanding of the assignment request; (2) acquire a preliminary familiarity of program operations; (3) assess the desirability of pursuing the audit; (4) select the appropriate audit strategy; and (5) prepare a work plan for a specific audit assignment.

Readings:

Herbert, Chs. 3 (pp. 37-42) and 6

Wooldridge, pp. 237 - 273

Guest Speaker on Program Audit

STAGE II: ASSESS PROGRAM'S EFFECTIVENESS MEASUREMENT SYSTEM

Identifying and Documenting Management's Measurement System

Assessing the Type of Objectives:

Strategic/Administrative

Assessing the Performance Indicators

Assessing the Data Source and Collection Techniques

Objectives:

At the end of this session, participants will be able to determine whether management's objectives are strategic or administrative in nature and to make recommendations for improvement. Participants will also be able to assess the adequacy of the existing performance indicators/measures of effectiveness using established guidelines. Participants will be able to draw conclusions as to the adequacy of the data source and collection techniques. At the end of this module participants will be able to assess the adequacy of managements system for measuring effectiveness as well as audit cost effectiveness studies done (if any) on the agency's programs. Such an assessment/audit would include inquiries into: Were any other alternatives considered? Which ones were rejected and why? Did management include in its analysis all relevant costs and benefits? How appropriate was the discount rate chosen?

Readings:

Wooldridge, pp. 274 - 288

STAGES III & IV: DESIGN AD HOC MEASUREMENT SYSTEM AND IDENTIFYING CAUSES OF INEFFECTIVENESS

Scope of an Ad Hoc System

Developing and Implementing an Ad Hoc System

Factors Affecting Program Performance

Search for Causes of Ineffectiveness

Objectives:

At the end of this session participants will be able to design and implement an ad hoc performance measurement system for a program where a measurement system either does not exist or is inadequate. Participants will also be able to identify the causes that inhibit program effectiveness.

Readings:

Wooldridge, pp. 289 - 307

STAGE V: OBTAINING SUPPLEMENTAL INFORMATION

Development of cost data
Management's prior consideration of lower cost alternatives
The impact of unintended program audits

Objectives:

At the end of this session participants will be able to assess the cost data used by management to determine its adequacy. Participants will be able to form conclusions as to whether management did consider alternatives that might yield desired results at a lower cost, and assess the adequacy of this evaluation. Participants will be able to analyze any unanticipated negative consequence of the program.

Readings:

Wooldridge, pp. 308 - 327, 417 - 448
"Dade County Swimming Pool Analysis"
Wooldridge, pp. 328 – 417
Hatry, Ch. 5
wrap up on Program Auditing

Session VI: COMMUNICATING THE REVIEW FINDING

A Systematic Approach for Writing Audit Findings
Determination of Effectiveness
Adequacy of Management Effectiveness Measurement System
Causes of Ineffectiveness

Objectives:

At the end of this session participants will be able to communicate the results of the Performance Audits and their conclusions in an effective manner.

Readings:

Wooldridge, 451 - 476

PAD 691 SPECIAL TOPICS: ASSESSING THE PERFORMANCE OF GOVERNMENT

FIRST ASSIGNMENT

1. From the preliminary information and background data presented in the case, identify as many possible assessment objectives as you can concerning economy and efficiency.
2. Prepare an assessment program for the review and testing of management control based on the tentative assessment objectives you have developed.
3. Develop a firm assessment objective. Describe the possible steps that will be needed to gather the evidence to come to a conclusion on the assessment objective.

Although much of your response can be in outline form, you should use as much narrative as you can to demonstrate your mastery of the learning objectives for modules 1 & 2 of this course, and your understanding and ability to apply the concepts of Economy and Efficiency Auditing, through the second phase.

SECOND ASSIGNMENT

This assignment is due the beginning of class on ____ . Do not put your name on your response, use your assignment number. USE THIS ASSIGNMENT TO DEMONSTRATE YOUR KNOWLEDGE OF AND ABILITY TO USE THE CONCEPTS OF ECONOMY AND EFFICIENCY ASSESSMENT.

You have been given the assignment to prepare an E & E assessment of your current agency or activity. Prepare a detailed assessment program for this assignment. In this audit program you should describe all of the steps you would carry out in the Preliminary Survey, Review and Testing of Management Controls, and Detailed Examination phases of the assessment. In the Review and Testing of MC phase, prepare tentative assessment objectives that would require these use of the various diagnostic techniques discussed in class. Use this part of your response to demonstrate your knowledge of the characteristics and utility of these techniques and your ability to gather and analyze appropriate evidence using most of these techniques.

THIRD ASSIGNMENT

This assignment due the beginning class on ____ . Do not put your name on your response. Use your social security number. Use this assignment to demonstrate your knowledge of and ability to use the concepts in Program Audit (Effectiveness Assessment).

You are to design a comprehensive Program Results Review (Effectiveness Assessment) for the Health Professions Student Assistance Program (HPSAP). Describe what information

you would need, what methods of inquiry you would use, and what questions you would ask during the Preliminary Survey, Review and Testing of Management Controls, and Detailed Examination phases of your assessment. Use the information in the cases where appropriate. If you would need information that is not present in the case, indicate what it is, and how you would use it. Regardless of the inadequacy of the existing information, carry the assessment through to the end of the Detailed Examination phase.