



Budget Performance Measures:
Clarify goals and increase measurement of efficiency and effectiveness

December 2014
A Report by the Office of the Auditor

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Knighton Award for Auditing

Audit receives recognition

The Auditor's Office was the recipient of the Bronze Award for Small Shops by ALGA (Association of Local Government Auditors). The winning audit is entitled *"Tracking Transportation Project Outcomes: Light rail case studies suggest path to improved planning"*. Auditors were presented with the award at the ALGA conference in Tampa Bay, FL, in May 2014. Knighton Award winners are selected each year by a judging panel and awards presented at the annual conference.

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MEMORANDUM

December 10, 2014

To: Tom Hughes, Council President
Shirley Craddick, Councilor, District 1
Carlotta Collette, Councilor, District 2
Craig Dirksen, Councilor, District 3
Kathryn Harrington, Councilor, District 4
Sam Chase, Councilor, District 5
Bob Stacey, Councilor, District 6

From: Suzanne Flynn, Metro Auditor 

Subject: Audit of Metro's Budget Performance Measures

This report covers our audit of the performance measures that are reported in Metro's budget. Our objective was to determine if Metro's performance measures were sufficient to provide public transparency and accountability. This audit was included in our FY2014-15 Audit Schedule.

We assessed whether the performance measures in the budget met recommended practices. We focused on whether measures tracked main activities and progress toward goals. We did not test data accuracy or reliability.

Our audit found that there was room for improvement. About 30% of the 53 measures we reviewed were relevant. Some departments lacked measures for one or more of their goals and many tracked inputs and outputs, which do not give the public information on effectiveness and efficiency. Half of Metro's departments had outcome measures that tracked effectiveness, six had measures to track efficiency, and only three departments had measures that tracked both. A lack of clear goals may have contributed to the quality of performance measures.

We have discussed our findings and recommendations with Martha Bennett, COO; Scott Robinson, Deputy COO; and Tim Collier, Director, Finance & Regulatory Services. A formal follow-up to this audit will be scheduled within two years. We would like to acknowledge and thank all of the management who assisted us in completing this audit.

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Summary

Performance measures provide accountability and transparency in the management of public resources. When combined with budget information they allow the public to make a connection between the effectiveness of government services and the resources used to provide them. In the FY 2014-2015 budget, Metro reported 53 performance measures. Each department had its own set of measures that included two years of actual data and five years of forecasted data.

The purpose of this audit was to compare Metro's performance measures to criteria found in best practices. These criteria state that measures should be relevant to main activities and goals, understandable, able to show performance over time or benchmarked to others, consistently calculated and accurate. Applying criteria for relevancy, we found that 30% of budget performance measures were relevant and could assess accomplishment toward department goals.

The budget document should give the public information about results. Many of the measures did not demonstrate to the public how efficiently or effectively Metro was working. Over half of those we found that were relevant could be improved.

Overall, measures could not be used to make comparisons. Although Metro reported budget measures for a seven-year time span, only two of those years were actual data. The other five years were in the future. Two years would not provide an adequate picture of improvement or decline.

A lack of clear goals may have contributed to the quality of the performance measures. Department goals were not specifically stated in the budget and were difficult to infer. The public cannot hold a government accountable if goals are ambiguous and cannot be measured.

Using measures from reliable sources can save staff resources when reporting annual measures. Some measures already reported elsewhere in Metro documents can be adapted for the budget, as well as measures from outside sources such as the Greater Portland Pulse.

We recommend that Metro formally adopt agency-wide goals and develop clear and measurable department goals. Once adopted, Metro should develop measures that track outcomes and efficiency related to these goals. Metro should also include five years of historical data to allow for comparisons.

Background

Performance measures provide accountability and transparency in the management of public resources. They assess how well programs and services achieve intended results. When combined with budget information, performance measures allow the public to make a connection between government services and the resources used to provide those services.

Best Practices recommend that performance measures meet certain criteria. These criteria include:

- Relevancy: measures track main activities and progress toward goals
- Understandability: measures are clear and easily understood
- Comparability: measures show performance over time and whether it is getting better or worse. Measures are compared to benchmarks to show performance relative to others
- Reliability: measures are consistently calculated
- Accuracy: measures are correctly calculated using valid and verifiable data sources

In the FY 2014-2015 budget, Metro reported 53 performance measures. Each department had its own set of measures. They included two years of actual data and five years of forecasted data (Exhibit 1).

Exhibit 1
Example of performance
measures in the budget

Material recovery rate at Metro Central Transfer Station.

11/12	12/13	13/14	14/15	15/16	16/17	17/18
32.7%	34%	34%	34%	34%	34%	34%

Material recovery rate at Metro South Transfer Station

11/12	12/13	13/14	14/15	15/16	16/17	17/18
17%	17%	17%	17%	18%	18%	18%

Revenues as a percentage of total expenses at MetroPaint.

11/12	12/13	13/14	14/15	15/16	16/17	17/18
115%	110%	100%	100%	100%	100%	100%

Annual percentage increase in cemetery sales and service revenue.

11/12	12/13	13/14	14/15	15/16	16/17	17/18
10%	5%	5%	10%	10%	10%	10%

Revenues as a percentage of total direct expenses at Oxbow, Blue Lake and marine facilities.

11/12	12/13	13/14	14/15	15/16	16/17	17/18
66.5%	66.5%	65.5%	65%	64.5%	64%	64%

Source: FY 2014-2015 Metro Budget

Scope and methodology

The objective of this audit was to determine whether Metro's performance measures were adequate to provide public transparency and accountability.

To accomplish this objective, we analyzed recommended practices on performance measurement and management to gain a general understanding of the topic and we used that information to determine the adequacy of Metro's measures. We also reviewed similar audits conducted by other audit offices. We reviewed budget documents and other reports from jurisdictions that had performance measurement systems in place.

We analyzed the performance measures and department goals as presented and implied in the FY 2014-2015 budget. We focused on department level narrative in the organizational summary to determine the goals. In some cases, we reviewed program summaries as well. Our review focused on measure relevancy and we did not test data accuracy or reliability. We included non-departmental measures under Finance and Regulatory Services and counted Visitor Venues as a department in addition to the Expo Center, the Oregon Zoo, Portland's and the Convention Center. Using this methodology, we counted 16 total Metro departments.

Because the audit was conducted to focus on public transparency and accountability, our testing relied solely on the information presented in the budget. During our assessment, we did not consider other Metro plans or consult with program or department management. We did not audit the measures presented in other reports, such as the annual balanced scorecard report.

This audit was included in the FY 2014-2015 audit schedule. We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Results

Measure relevancy could be improved

Metro could increase its public transparency and accountability by ensuring performance measures communicated in the annual budget are relevant in assessing accomplishment toward department goals. One cause for the lack of relevancy might be a lack of goal clarity. The budget could also be improved by including measures that show progress toward larger agency goals.

Performance measures show the public how governments use resources to accomplish goals. Only 30% of Metro’s performance measures were relevant and could assess accomplishment toward department goals. The remaining 70% of measures were not relevant. Some did not track outcomes or efficiency, and some were not related to department goals (Exhibit 2).

Exhibit 2
Performance measure relevancy

Department	Total	Relevant
Parks & Environmental Services	5	1
Planning & Development	4	0
Research Center	4	0
Sustainability Center	5	2
Visitor Venues	1	1
Oregon Convention Center	3	2
Portland’s 5 Centers for the Arts	3	1
Portland Expo Center	3	1
Oregon Zoo	2	0
Communications	4	1
Finance & Regulatory Services	6	2
Information Services	5	1
Human Resources	3	2
Office of the Metro Attorney	1	0
Metro Council	1	0
Metro Auditor	3	2
Total	53	16 (30%)

Source: Auditor’s analysis of FY 2014-2015 Metro Budget

Best practices recommend governments use a mix of measure types. Measure types include inputs, outputs, customer service, efficiency, and outcomes. Inputs track resources such as staff or equipment. Outputs measure work that was accomplished, such as the number of plans completed or customers served. Efficiency measures calculate the amount of effort needed to create an output, such as the staff or cost per customer served. Outcome measures track effectiveness and results achieved.

The budget document should give the public information about results. Many Metro measures tracked inputs and outputs and would not show the public how efficiently or effectively Metro was working. Adding more efficiency and outcome measures would improve budget information. Half of Metro's department's had outcome measures that tracked effectiveness, six had measures to track efficiency, and only three departments had measures that tracked both.

As an example, one department measured the number of "complete plans or projects that will increase access to nature." This measured output. It counted the work completed. An outcome measure that shows the public Metro is using public resources to get desired results would be a better choice. The "percentage of properties with public access available" or the "percentage of regional citizens living within X miles of a park, trail, or natural area" are two potential measures that could do that.

Many Metro departments lacked measures of efficiency. These measures typically reflect the amount of staff or money needed to achieve goals or deliver a product or service. Lack of this type of information in the budget would make it difficult to determine productivity or whether Metro was responsibly spending public funds. Including measures of workload per employee (FTE) would be one way to improve the quality of Metro's measures. In a different Metro document, the Balanced Scorecard, total zoo visits per FTE and number of desktops and devices supported per Information Services FTE were tracked, both of which would improve budget measures.

Some departments relied too heavily on customer surveys to gauge performance. For example, all of one department's measures were based on survey data and measured customer satisfaction. None measured accomplishment toward the goal, which was to provide accurate and reliable data. A measure showing forecast accuracy could provide a better indication of whether department goals were being met.

Some departments lacked measures for one or more of their goals. Without such measures, the public would be unable to hold Metro accountable. One department did not have a measure to capture public engagement, which seemed important given its goals to build trust and help the public understand and respond to Metro. Another department listed four goals but there were no measures in the budget related to them. Similarly, some measures were too narrow and described performance for only a small portion of a department's responsibilities.

Over half of Metro's relevant measures could be improved. Some were poorly written and others could be improved to better measure goals. One goal was to create a significant economic impact throughout the region. The measure used to track progress toward that goal was the "estimated economic impact". Some measure of actual economic impact may have provided for a better assessment of

the department's progress. One of the governments we reviewed tracked hotel occupancy rates as a measure of economic impact.

One measure reported on the maintenance of a AAA bond rating. The bond rating is used by other governments to demonstrate financial management and health. However, by the time the status of this measure changed from a "yes" to a "no," recovery from poor performance could be difficult. Including additional measures could help identify negative trends before they become problematic. An improvement would be a financial indicator showing Metro's ability to meet its financial obligations.

Unable to determine performance improvement

Metro's measures could not be used to compare its performance over time or to others. Metro reported measures in the budget for a seven-year time span. However, only two of those years represented actual performance. With only two years of data, determining long-term trends or whether performance was improving would be difficult.

For example, a measure of "a biennial public survey in which an increasing percentage of respondents can identify Metro and one or more of its programs" was presented with only one year of actual data. Similarly, the data included in the budget to measure "no annual increase in regional per capita solid waste generation" could not adequately communicate whether generation was increasing or decreasing with only two years of data (Exhibit 3). In contrast, several of the measures presented in Metro's Balanced Scorecard provided multiple years of actual data so performance could be compared over time.

Exhibit 3

Example of department measure

No annual increase in regional per capita solid waste generation (in pounds).

11/12	12/13	13/14	14/15	15/16	16/17	17/18
2,528	2,584	2,528	2,528	2,528	2,528	2,528

Source: FY 2014-2015 Metro Budget

Note: The numbers in bold represent actual values

It was also not possible to determine Metro's performance in relation to others because measures were not benchmarked to accepted standards or comparable services. Measures show that material recovery rate at the transfer stations averaged about 25% for both facilities in FY 2012-13. Depending on industry standards, this could be satisfactory or poor performance.

Budget goals could be clearer

Lack of clear goals may have contributed to the quality of performance measures. The cornerstone of good performance measurement is a set of goals that can be clearly understood. Department goals were not specifically stated in the budget and were difficult to infer. At times, it was hard to determine what departments were supposed to accomplish.

For example, one goal was to “build communities consistent with the Region 2040 Growth Concept and local goals.” It was not clear from the rest of the information in the budget what those local goals and the 2040 Growth Concept were. To understand this goal, the public would need to be knowledgeable about multiple plans and planning efforts throughout the region. Exhibit 4 shows examples of some current goals and suggestions for alternatives.

Exhibit 4
Current goals and suggested alternatives

Finance and Regulatory Services	Current	Provide financial management, administrative, regulatory and operational services to Metro’s elected officials, operating centers and services, employees and the public
	Improved	Oversee and ensure internal and external compliance with financial and regulatory requirements
	Why?	The improved version is a specific goal, it applies to many FRS responsibilities, and it gives an indication of the department’s desired results
Information Services	Current	Provide the professional skills, strategies, services and tools to deliver technical and information solutions with results that balance client need with cost and ability to support the solution
	Improved	Provide cost effective services
	Why?	The goal as currently stated is not clear, but it seems to suggest providing services that leverage the current infrastructure in a cost effective way. More clearly stated goals provide better guidance to program operations and are easier to track

Source: Auditor’s analysis of FY 2014-2015 Metro Budget

The public cannot hold a government accountable if goals are ambiguous and cannot be measured. One goal was to “inspire visitors to learn about endangered species...” It is not clear what actions would be necessary to achieve this goal, or how one would measure another person’s inspiration.

A more direct goal, to “educate visitors about endangered species...” would clearly express what the department is trying to achieve—the education of others—and more adequately lends itself to being measured. Exhibit 5 provides additional examples of department goals and suggestions for improvement.

Exhibit 5
Current goals and suggested improvements

Communications	Current	Helps the public understand and respond to Metro's portfolio of projects
	Improved	Increase public engagement
	Why?	The improved goal provides direction and leads to a final desired outcome. The level of public engagement could be more easily measured and tracked than how much someone was helped

Portland's	Current	Foster an entrepreneurial environment in which diverse arts, events, and audiences may flourish
	Improved	Provide a variety of event types without impacting financial stability - OR - Maintain financial stability without impacting the diversity of event type
	Why?	It is not clear what constitutes an "entrepreneurial environment" or what types of activities would "foster" one. This goal lends itself too much to interpretation. Clear goals demonstrate what activities become a priority

Source: Auditor's analysis of FY 2014-2015 Metro Budget

Some Metro departments did not have goals related to their main responsibilities. This could make it difficult for the public to hold Metro accountable. For example, The Oregon Convention Center, Portland's, Portland Expo Center, and the Zoo did not have goals capturing visitor experience. Further, the Zoo did not have a goal related to animals or animal welfare.

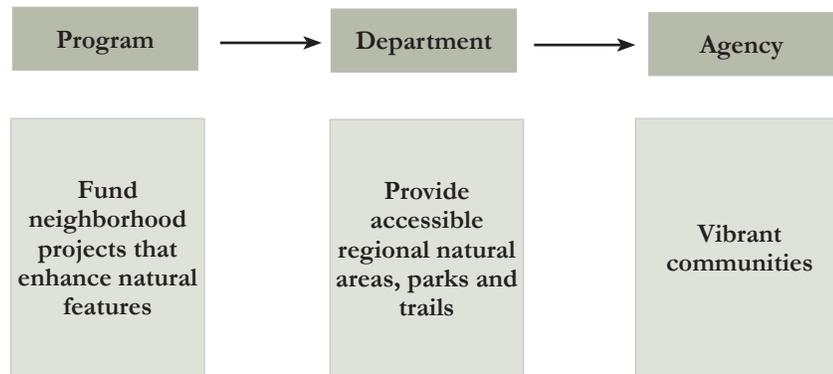
Lack of adopted agency goals

Department goals should be based on agency goals. Metro's six desired outcomes were adopted by Council to guide regional planning. The outcomes have been included in the framework used to make agency-wide budget decisions. It seems reasonable to assume the six outcomes represent agency goals. However, according to management these outcomes have not been formally adopted as agency goals. The six outcomes are:

- Vibrant communities: People live, work and play in vibrant communities where their everyday needs are easily accessible
- Climate change leadership: The region is a leader in minimizing contributions to global warming
- Transportation choices: People have safe and reliable transportation choices that enhance their quality of life
- Economic prosperity: Current and future residents benefit from the region's sustained economic competitiveness and prosperity
- Clean air and water: Current and future generations enjoy clean air, clean water, and healthy ecosystems
- Equity: The benefits and burdens of growth and change are distributed equitably

To better achieve results, measures at the department level and their corresponding goals should link to higher level agency goals. Likewise, specific activities that take place within a program should support department goals. Clear agency goals provide a foundation for department and program goals and activities (Exhibit 6).

Exhibit 6
Link between activities and agency goals



Source: Auditor's analysis of FY 2014-2015 Metro Budget

Metro could improve some of its department measures by reporting on how they relate to agency goals. For example, assuming the six outcomes represented agency goals, measuring the percentage of the population within a certain distance to a recreation area could help track Metro's success in achieving Vibrant Communities. A measure tracking the same thing, except broken down by county or demographic group, could assess accomplishment toward Equity.

Similarly, there are many measures that could track Transportation Choices. Some of these such as the number of vehicle miles traveled per person or measurements of air quality were mentioned in previous audits and may already be measured by Metro programs. Including benchmarks for these measures based on industry standards or other jurisdictions could measure success in Climate Change Leadership.

Using measures from existing reliable sources can save Metro staff resources when reporting annual performance measures. The Greater Portland Pulse collects and publishes several datasets that could be used for assessing Metro outcomes. These include the unemployment rate, voting rates, vehicle miles traveled, and unhealthy air days. Other measures are tracked throughout Metro that could be used as well. For example, Metro's Balanced Scorecard has measures to track customer satisfaction at the visitor venues. Metro's Climate Smart Communities Scenarios Project has identified several measures. These include the percentage of households within ¼ mile from frequent bus service and daily vehicle miles traveled per capita.

Recommendations

To increase public transparency and accountability in the budget, Metro should:

1. Formally adopt a set of agency goals.
2. Develop clear and measurable department goals.
3. Develop department performance measures related to department goals. Measures should track outcome and efficiency.
4. Develop some department measures that also track progress toward agency goals.
5. Include five years of actual data to allow for comparisons.

Management response

 Metro | Memo

Date: November 13, 2014
To: Suzanne Flynn
From: Martha Bennett, Chief Operating Officer
Scott Robinson, Deputy Chief Operating Officer
Tim Collier, Director of Finance and Regulatory Services
Subject: Management Response to Performance Measures Audit

Thank you for the opportunity to respond to your recent audit on the Metro performance measures. The audit is very useful in helping us further identify how to improve our linkage and reporting tools in meeting the goals of the agency.

In this memorandum we respond to how we will implement your recommendations and highlight some of the areas of the report that we believe have significance to our processes.

The audit does point out that we do have several areas that currently have good performance measures, but that there is benefit in strengthening the relevance of the measures in multiple areas. As an agency we need to better clarify goals and targets and the reporting functions on how well we are doing or where we can improve.

We firmly believe in continuous improvement and recognize that additional work in this area will help to ensure that the agency prioritizes and focuses its efforts on outcomes of importance to the Council and public. We recognize that similar government agencies struggle with this process as well, however we believe we can do a better job of setting the trend. We believe that the audit recommendations are very useful in helping us remain focused on this work and to improve our linkage between agency goals and department and program reporting.

Recommendation: 1. Formally adopt a set of agency goals.

Response: While we currently have Council adopted six desired outcomes, the agency has not formally adopted a set of Council goals. We believe that dialoguing with Council on moving towards a more formal adoption of goals would be the next natural evolution of our improvement in alignment efforts. We will work with Council to develop a process for establishing a set of Council adopted agency wide goals.

Recommendation 2. Develop clear and measurable department goals.

Response: We believe that linking department goals and actions to Council goal is an appropriate task to undertake. Once having engaged Council on adoption of a set of agency goals, we will work with departments to more clearly align their goals. As we work to formally adopt the agency wide goals, we believe that the department goals will become clearer through alignment. Until we have Council adopted goals, we anticipate continuing our use of the six desired outcomes as an appropriate tool for alignment and prioritization.

Recommendation 3: Develop department performance measures related to department goals. Measures should track outcome and efficiency.

Response: As part of the process of completing recommendation 2, we anticipate beginning to develop improved performance measures to create linkage with goals and improved reporting. We concur with the recommendation that the measures should track both outcomes and efficiency and will use that context as we develop the measures.

Recommendation 4: Develop some measures that also track progress towards agency goals.

Response: As a part of the development of department goals, we will look towards aligning them with the overarching agency goals. We believe that, if we design both the agency and department goal development process properly they should more naturally align and the development of measures that reflect overall progress on agency goals should come about as part of that process.

Recommendation 5: Include 5 years of actual data to allow comparisons

Response: We will look to include the five years of actual data and still include the forecasted targets for the upcoming five year period. This will provide both comparative data and future targets.



METRO

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