Montana State Legislature

Legislative Audit Division

Strategic Plan

For the Period 2017 – 2067

Volume I – The 10-Year Period 2017-2027

The 2022/2023 Biennium

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TRANSMITTAL LETTER

December 2020

The Legislative Audit Committee

of the Montana State Legislature:

This is the second iteration of our strategic plan for the current 10-year cycle. Work on implementing strategic goals and objectives from our previous version was well underway when the coronavirus pandemic began affecting our operations. The unprecedented nature of a global pandemic has challenged us in ways familiar to many other organizations. However, we have also learned a great deal about ourselves and we are beginning to see the potential for positive changes emerging from the disruptions that impacted life through 2020.

The pandemic has delayed implementation of some of our strategic initiatives, but it has not deterred us from our over-arching goal of preparing for the next 50 years in the life of our organization. So, while some of what you will read here represents a continuation of past efforts, you should also see new issues and ideas. We also remain steadfast in our commitment to our mission of increasing public trust in state government, regardless of the environment we operate in or the obstacles we encounter.

Respectfully submitted,

Angus Maciver

Legislative Auditor

LEGISLATIVE AUDIT DIVISION MISSION, VISION AND VALUES

Mission Statement

The mission of the Legislative Audit Division is to **increase public trust in state government** by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

Organizational Vision

The Legislative Audit Division will be **the Legislature's most respected source for independent, accurate, and reliable analysis** that will make Montana a national leader in promoting government accountability.

Values & Guiding Principles

The Legislative Audit Division maintains a work environment that:

- Commits to **innovation**

- Invests in **professional development**

- Facilitates **open and honest communication**

- Promotes **teamwork** grounded in **trust and creativity**

- Allows staff to maintain **work life balance**

In our work with state agencies, the Legislature, and other stakeholders, we hold ourselves to the high standards of **professionalism, transparency, independence,** and **objectivity** while fostering **cooperative, collegial** relationships and facilitating **open dialogue**.

THE STRATEGIC ENVIRONMENT – CHALLENGES AND OPPORTUNITIES

Effective organizations are all good at one thing; communication. We like to think our report products stand by themselves unaided, but this sometimes leads us to diminish the importance of how to communicate an effective **external message**. We are operating in an increasingly noise-filled world, and legislators and other users of our reports have a lot more options as sources of information. We need a more compelling message and we need to deliver it to a larger group of people. This necessitates some changes in how we understand the needs of our main audience (the Legislature), and how we package and present information externally.

Term limits, political polarization and declining trust in the institutions of government all have the potential to negatively impact independent audit and accountability functions. An effective remedy for these negative impacts can be found in efforts to improve **intergovernmental collaboration** and increase our mutual understanding of the role of the independent audit. The Audit Committee can lead efforts to engage with multiple parties regarding the current effectiveness and future direction of the legislature's audit functions. Engagement and collaboration need to take place both inside and outside the legislative branch to be effective and provide a meaningful basis for change.

Our primary resource is human, and one of our most significant current challenges is understanding what the **workforce of the future** looks like. Our positions and career structure were mainly developed for the workforce of the 20th century and have not kept pace with changing expectations. This has put us at a competitive disadvantage relative to other employers and has contributed to high staff turnover rates. Our workforce is now less experienced than was previously the case and although this offers some opportunities, it also poses challenges in terms of our ability to effectively serve the Legislature.

We also need to sharpen our focus on **professional development** and continue investing in a highly qualified workforce. Our work demands ever-increasing levels of specialization and expertise and we need to support staff who are increasing their skills and pursuing advanced certifications. We are fortunate in being required to provide a minimum level of training under Government Auditing Standards, but quantity doesn't beat quality and we need to emphasize training that is individualized, incorporates new technology, and is relevant to the modern workplace.

Everybody likes to talk about how new **technology** can drive **innovation**, but not everybody wants to think about how to make this work in practice. We need an effective framework for understanding the role of technology in our work or managing investments in new technology products or services. Without focused effort in this area, we risk missing opportunities to be more efficient in our work. We are also risking our ability to maintain parity with the rest of the government enterprise and to use technology effectively to conduct our audits of state agencies. Having a younger workforce is good, because they are more open to new technology,

but they also have high expectations for the role technology should play in the workplace and we need to meet these needs.

Finally, if we want to be successful in all these areas, we can't ignore the importance of good **internal communication**. If we don't have a good shared understanding about how our internal processes work or how decisions get made, communication suffers in all other areas. Strengthening our commitment to clear internal communication and sharing information effectively will help us be more successful in everything else we do.

ORGANIZATIONAL GOALS AND OBJECTIVES

EXTERNAL MESSAGE

Organizational Goal:

Increase the impact and effectiveness of our work by delivering a more compelling message to a larger audience.

Objectives:

A. Establish a social media presence for the Audit Division and increase our outreach efforts with traditional media to provide for wider distribution of report products.

B. Expand the volume and frequency of reported information to provide for more regular communication on a wider range of audit-related topics, including reports, committee activity, follow-up results, performance and productivity measures, and industry trends.

C. Build on recent pilot projects to reinvent our existing paper-based reporting processes and formats to emphasize a digital-first approach and transition to online formats and content.

INTERGOVERNMENTAL COLLABORATION

Organizational Goal:

Strengthen the Legislature's institutional capacity to provide independent audit and accountability services by increasing the depth and extent of intergovernmental collaboration within and between the Audit Committee, the division and external parties.

Objectives:

A. Develop and implement tools and techniques to assess the effectiveness of audit and accountability services and monitor relationships with the agencies we work with.

B. Collaborate with the executive branch and external parties to conduct a systemic review of the committee's existing financial schedule format and the division's implementation of the regulatory basis of accounting as it relates to individual agency audits, statewide financial reporting, and the federal Single Audit Act.

C. Build the oversight capacity of the Audit Committee by establishing a management advisory function to provide direct feedback on division leadership and strategic initiatives.

D. Provide more opportunities for the Audit Committee to participate in division quality assurance activities via expansion of and direct involvement in peer review processes.

WORKFORCE OF THE FUTURE

Organizational Goal:

Organize and allocate staff resources to improve recruitment and retention, aligning us better with future expectations of what a rewarding career means.

Objectives:

A. Complete the transition to a new LAD career structure a to ensure career progression is based on clear expectations of performance standards and levels of experience, and that advancement is effectively linked to comparable and competitive compensation.

B. Redesign LAD staff appraisal processes to reflect the transition to a new career ladder structure and to ensure all staff positions are subject to rigorous, predictable, timely and equitable methods for evaluating individual performance.

C. Develop and implement new recruitment and selection practices that provide for hiring above entry, competitive promotion opportunities for existing staff, and alternate career paths based on specialized skills or professional certifications.

D. Build formal processes for recognizing performance and using incentives to drive individual achievements and accomplishments.

PROFESSIONAL DEVELOPMENT

Organizational Goal:

Invest in our highly qualified workforce by increasing the professional development and training support we provide to staff.

Objectives:

A. Develop a comprehensive office-wide training curriculum covering the skills and competencies necessary at all levels.

B. Implement new technology as part of professional development program, to include on-demand, video-based and online training provision.

C. Update our training course offerings to include new techniques in data analytics and use of advanced software products.

D. Increase our support for staff pursuing advanced professional certifications and establish formal processes for recognizing and rewarding specialized skills.

TECHNOLOGY INNOVATION

Organizational Goal:

Improve our ability to innovate in all aspects of our work and integrate new technology that adds value to our products.

Objectives:

A. Procure and implement an audit software solution focusing on audit work paper management with potential for enterprise resource and project management functionality.

B. Continue to fine-tune cross-function and branch-wide processes for structured review of current technology and for prioritization of new investments as part of the budget process.

C. Coordinate with IS and OLIS staff to create and perform a full security needs assessment in order to determine LAD's security posture.

D. Support staff with regular training on technology to better integrate technology innovation in our work and to identify opportunities for making our work more efficient.

INTERNAL COMMUNICATION

Organizational Goal:

Strengthen our commitment to clear internal communication and improve the way we make decisions about the policies and processes that guide our work.

Objectives:

A. Redesign our framework for implementing legal requirements, professional standards, and industry best practices to emphasize clarity, transparency and responsibilities that are specific to each LAD function.

B. Establish communication protocols relating to participation and information-sharing that apply to leadership activities and the people responsible for them.

C. Complete process mapping for all major internal administrative processes and pursue further streamlining and automation opportunities.

TEAM-BASED GOALS AND OBJECTIVES

In addition to our organizational goals and objectives, each of our teams has identified priority strategic initiatives for the current period. These are discussed in summary format as follows.

Accountability, Compliance and Transparency (ACT) Team

Increase the visibility and effectiveness of our efforts to fight fraud, waste and abuse in state government.

By enhancing the visibility and responsiveness of our Hotline process we will be able to demonstrate to citizens that they have an effective and meaningful method for reporting potential problems with state programs or employees. We can increase the relevance and familiarity of these functions among legislators by assessing the ACT team's internal and external statutory responsibilities and their role in the overall LAD organizational structure, addressing potential statutory changes, dedicated staffing or budget needs, and appropriate peer state comparisons. The quality and impact of our Hotline processes can be improved by continuing to invest in staff competence and development, which will ensure our work in this area is viewed by both agencies and complainants as credible, fair, and thorough.

Financial Audit Team

Ensure financial-compliance audits provides timely and meaningful audit services.

According to current state law, the Financial Audit Team completes a biennial audit of each state agency, unless otherwise provided by law. We also complete an annual audit of the state's Comprehensive Annual Financial Report (CAFR), annual audits of most of the state's component units, and a biennial audit of the state's federal program administration (Single Audit). Agency audit results feed into the audit of the CAFR and Single Audit and often times involve competing priorities. By identifying the staff and other resources necessary to balance these competing priorities, we can provide a better basis for making decisions regarding the costs and benefits of delivering audit services according to the current statutory approach.

Performance Audit Team

Improve the scope and relevance of performance audit projects to ensure they meet the needs of the Legislature and maximize our ability to address important public policy issues across state government.

Based on the evolving needs of our primary audience—the Legislature—our performance audit product needs to also evolve and move into the future. The performance audit function should explore new methods of evaluating performance and policy-oriented analysis aspects in its work, while still including more traditional compliance-oriented work. There are opportunities to develop new types of performance assessments to better suit the different types of research questions presented to the team. Alternative types of evaluation could better focus and diversify the size and scope of projects. Additionally, it is important for us to systematically assess current performance project processes to increase team efficiency and maximize staff resources. A more strategic, flexible approach to audits will result in higher quality audits and enable us to better fulfill fiscal year audit timelines.

Information Systems Audit Team

Increase the visibility and impact of our work on information technology by strengthening the internal and external role/presence of the Information Systems audit team.

As technology advances within the public and private sectors, so does technological risk. With newer staff of varying backgrounds, we have the opportunity to further develop specialized skills and structure to keep up with evolving technological risks. To take advantage of this opportunity, we will set team goals to strengthen technical expertise and knowledge which will advance IS staff in to leadership positions. This, along with goals to expand our presence, will further increase the scope and impact of IS audits on state operations. We will invest in IS staff by continuing to support certifications and making improvements to the way we set individual staff goals, monitor progress, and reward success.

Service Support Team

Improve our knowledge and understanding of LAD information resources and protect our organization from either having too much or not enough information.

Everything we do rests on the quality and usefulness of the information we collect, analyze and store. Some this information is well-understood and well-controlled, but other sources and records are not identified or categorized in a systemic manner. If we don't maintain a structured understanding of our information resources, we are in danger of not meeting legal mandates (records management), audit industry standards, or management and operational needs. Conversely, we are also in danger of maintaining too much information, which carries risks of information overload, unclear or unsupported decisions, data loss/breach, or lack of responsiveness to transparency requests.

KEY PERFORMANCE INDICATORS

We are committed to performance and accountability. These Key Performance Indicators (KPIs) provide a focus for strategic and operational improvement, create an analytical basis for decision making and help focus attention on what matters most. Our KPIs are primarily focused at the organizational level and provide a means of assessing our progress towards our goals measured against established benchmarks. These benchmarks are based on historical experience or industry norms. An appendix to this document provides more detailed explanations and historical /trend data for each metric.

Metric	Benchmark	Result
Staff Turnover Rate	< 10 %	11 %
Employee Engagement	> 85 %	74 %
Employee Absenteeism	< 4.0 %	3.6 %
Direct Hours	> 65 %	61 %
Billing Rate Inflationary Change	± 5.0 %	+2.8 %
Project Budget Accuracy	± 10 %	+ 6 %
Project Timely Completion	± 30 Days	+ 36 Days
Hotline Timely Resolution	< 60 Days	45 Days
Value-Added Impacts	> 150%	103 %
Agency Engagement	Pending	Pending
Recommendation Concurrence	> 90 %	82 %
Recommendation Implementation	> 80 %	70 %

Results Key

Good Performance
Needs Improvement
Cause for Concern

EXPERIENCES & RESULTS

The following addresses experience and results from implementation of strategic goals and objectives over the past two years.

✓ We have designed and are preparing to implement a **new career ladder** structure for audit staff that will simplify our existing career paths, better define expectations for performance and align us closer with industry peers

✓ Based on new career ladder positions, we have completed an update to the division's **market-based compensation plan** and associated branch occupational wage ranges that will allow us to compete more effectively in recruitment and retention of staff

✓ **Staff turnover** remains steady at or around our benchmark level of 10% and recent recruitment efforts have shown promising results in terms of the quality and quantity of qualified applicants

✓ Direct input from legislators and other report users has resulted in pilot projects aimed at improving our **report summary format** and in other innovative online informational products

✓ Outreach among staff identified opportunities to improve the type and timeliness of **internal communications** from the Legislative Auditor and others in leadership roles

✓ We worked with branch information technology staff to research and then prioritize investment decisions relating to a new **audit management technology platform**, which will be considered during the 2021 legislative session

✓ We have taken action to successfully **integrate staff input on technology** issues with existing branch process for identifying and implementing new technology through the Office of Legislative Information Services

✓ We introduced a new statewide survey process to better understand the views of state employees on issues relating to **fraud, waste and abuse**, and the role of the LAD Hotline function

✓ **Timely resolution of Hotline calls** has continued to improve as we have implemented changes in internal processes for addressing allegations of fraud, waste and abuse

- ✓ The **Financial-Compliance** audit team has been proactive in identifying opportunities to update the existing financial schedule presentation format to better meet the needs of the legislature

- ✓ The **Performance** audit team has developed a better basis for recognizing industry professional certification standards as part of career development plans for staff

- ✓ The **Information Systems** audit team has restructured its decision-making and resource allocation processes to more effectively address the needs of different users of its products

- ✓ The **Service Support** team has finalized revision of team position descriptions, which will form the basis of a future reallocation of functional responsibilities relating to the division's administrative processes