

Montana State Legislature  
**Legislative Audit Division**

**Strategic Plan Appendix**

**Key Performance  
Indicators**

The 2020/2021 Biennium

**FY 2019 UPDATE**

## 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 focused primarily at the organizational level and provide a means of assessing our progress toward our goals measured against established benchmarks. These benchmarks are based on historical experience or industry norms. Results are shown for the most recently completed period, with trend data (where available) for 10 fiscal years.

Metric	Benchmark	Result
Staff Turnover Rate *	< 10%	11%
Employee Engagement *	> 85%	70%
Employee Absenteeism *	< 4.0%	3.6%
Direct Hours *	> 65%	60%
Billing Rate Inflationary Change *	± 5.0%	1.4%
Project Budget Accuracy	± 10%	+ 5%
Timely Project Completion	± 30 Days	+ 29 Days
Timely Hotline Resolution *	< 60 Days	57 Days
Value-Added Impacts	Pending	Pending
Recommendation Concurrence	> 90%	90%
Recommendation Implementation	> 80%	66%

\* Metric updated for FY 2019/2020 where available

### Results Key

Good Performance
Needs Improvement
Cause for Concern

# STAFF TURNOVER RATE

## Description

Staff Turnover Rate measures turnover in LAD permanent staff positions. The turnover rate is calculated for each fiscal year to show the number of employees terminating as a percentage of the average employee count for the year. The average employee count is based on the number of Full-Time Equivalent (FTE) staff at the beginning and end of the fiscal year.

## Performance Benchmark

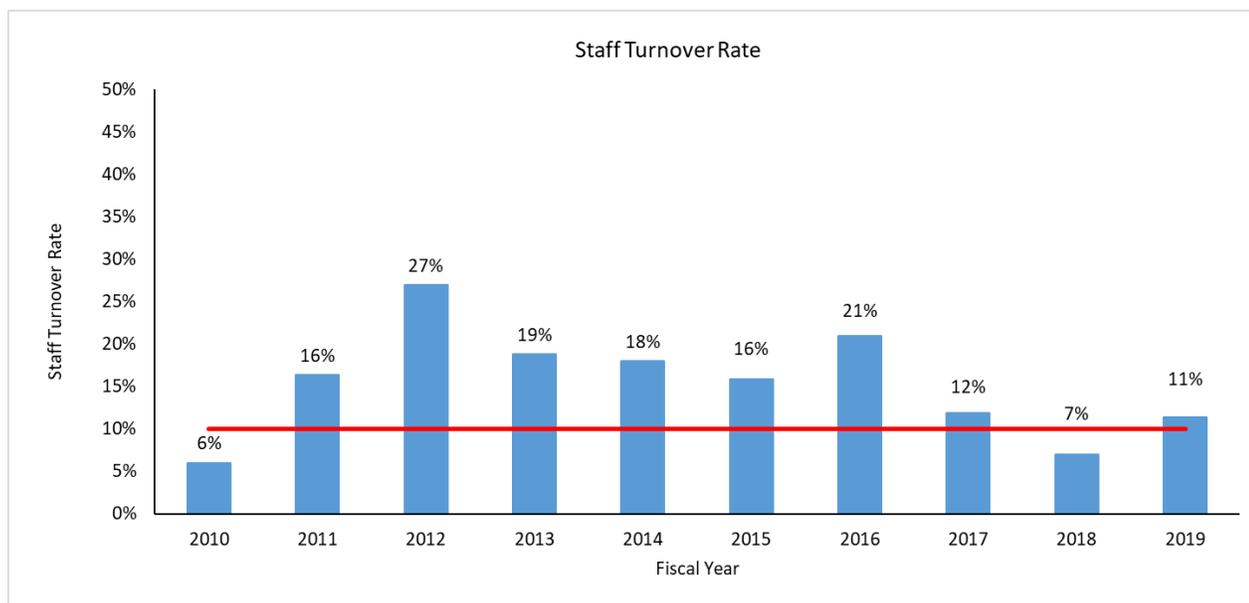
The performance benchmark is established as maintaining turnover rate of less than 10% annually. This benchmark is based on historical experience and generally accepted industry expectations.

## Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data shows values for the past 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).



## Result

For fiscal year 2019, we recorded a turnover rate of 11%, which slightly exceeds our performance benchmark. The increase in our turnover rate can be partly attributed to a competitive labor market. We need to continue to focus on issues relating to competitive compensation and employee engagement to maintain progress in this area.

# EMPLOYEE ENGAGEMENT

## Description

Employee Engagement measures the extent to which LAD employees feel engaged in their work. Employees participate in an annual employee engagement survey, independently administered by the Legislative Branch Human Resources Manager. The survey consists of a series of questions designed to assess employee engagement. Respondents answer questions on a negative/neutral/positive scale, and the KPI measures the percentage of all responses that are recorded as positive.

## Performance Benchmark

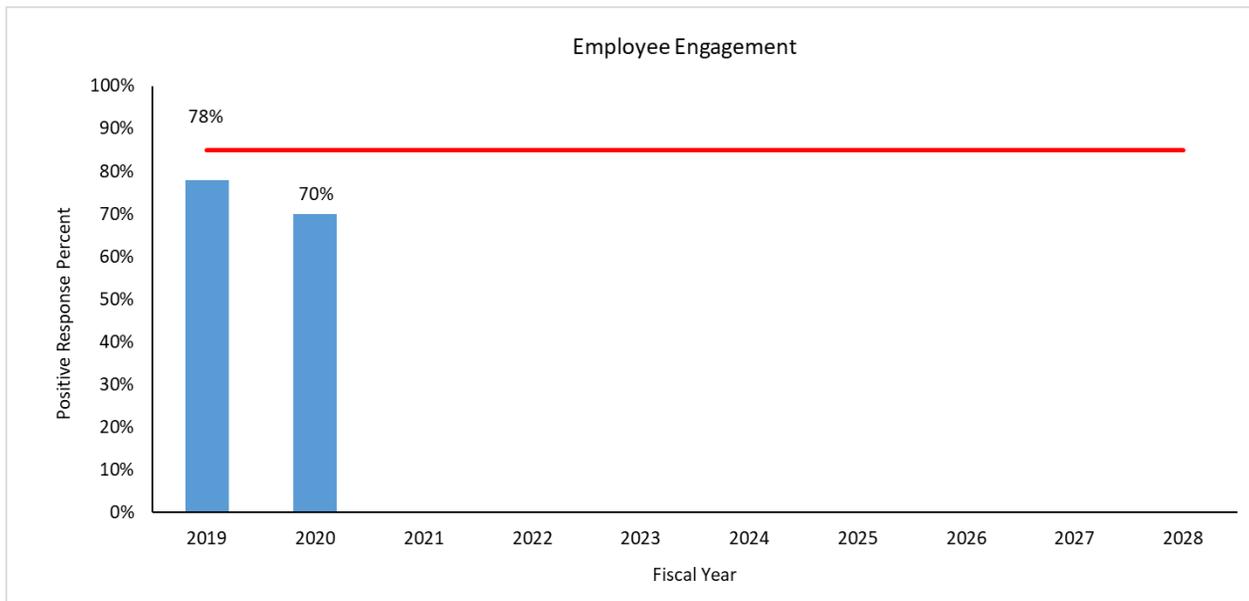
The performance benchmark is established at 85% positive response based on review of initial survey results and expectations regarding the potential for future improvements.

## Time Period & Trend

Result is shown for the most recently completed fiscal year. Trend data will be shown for 10 fiscal years as it becomes available.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).



## Result

Positive response showed a decline in the FY 2020 survey to 70%. While still broadly positive, this keeps us below our benchmark of 85%. Review of results shows continuing concerns in several areas that need to be addressed as priorities before we can expect to see improvements in this indicator.

# EMPLOYEE ABSENTEEISM

## Description

Employee absenteeism measures the number of hours absent from work recorded as Sick Leave or Leave Without Pay for all LAD staff as a percentage of total hours worked in a fiscal year. The absenteeism rate is a proxy for both employee satisfaction/engagement and for effective management control of the appropriate use of allocated leave hours.

## Performance Benchmark

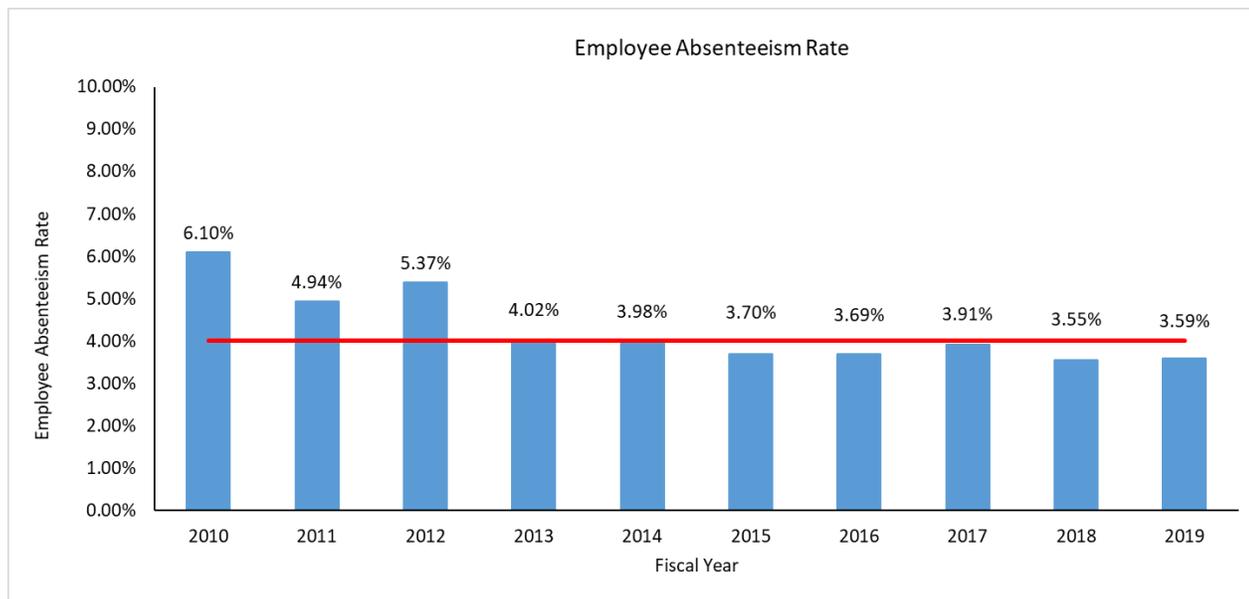
The performance benchmark is established as maintaining an absenteeism rate of less than 4% annually. This benchmark is based on historical experience and general expectations for governmental employers.

## Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data shows values for the past 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).



## Result

For fiscal year 2019, we recorded an absenteeism rate of 3.6%, which meets our performance benchmark of less than 4%. In recent years, the absenteeism rate has remained steady between 3.5% and 4%. We believe maintaining this low rate of absenteeism is one indication of an engaged workforce.

# DIRECT HOURS

## Description

Direct hours measures productivity of the LAD workforce using direct hours recorded for work on audit projects and supporting activities. The direct hour rate is calculated based on total hours recorded for all audit staff in a fiscal year. Measuring direct hours involves assessment of the appropriate balance between work hours specific to audits versus other assigned responsibilities, training, and employee leave hours.

## Performance Benchmark

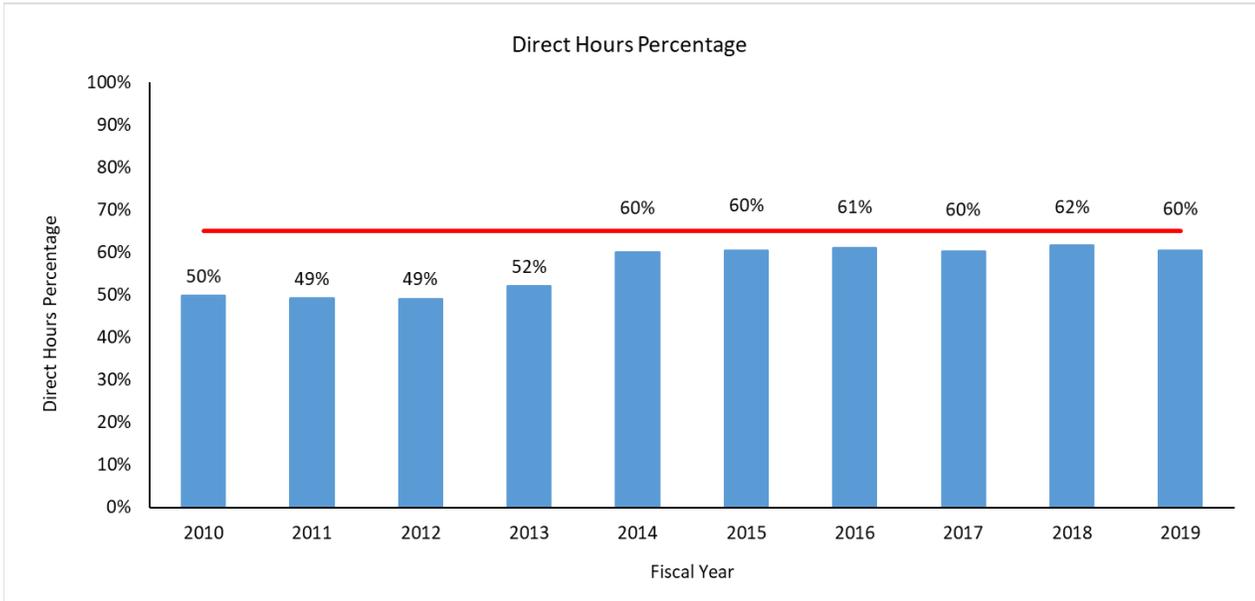
The performance benchmark is established as maintaining direct hours in excess of 65% annually. This benchmark is based on historical experience and generally accepted industry expectations.

## Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data shows values for the past 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).



## Result

For fiscal year 2019, we recorded direct hours at 60%, which remains slightly below our performance benchmark of 65% and is a 2% reduction from last year. Direct hours are typically slightly lower in session years, but this change also likely reflects more time being devoted to indirect hours for tasks associated with training new employees and developing internal management capacity at LAD.

# BILLING RATE INFLATIONARY CHANGE

## Description

Billing rate inflationary change is an efficiency metric that measures changes in the audit billing rate relative to inflation in the general economy. The billing rate is paid by agencies through appropriations and is calculated each fiscal year. This metric compares the change in the billing rate amount with the change in inflation as measured using the Consumer Price Index.

## Performance Benchmark

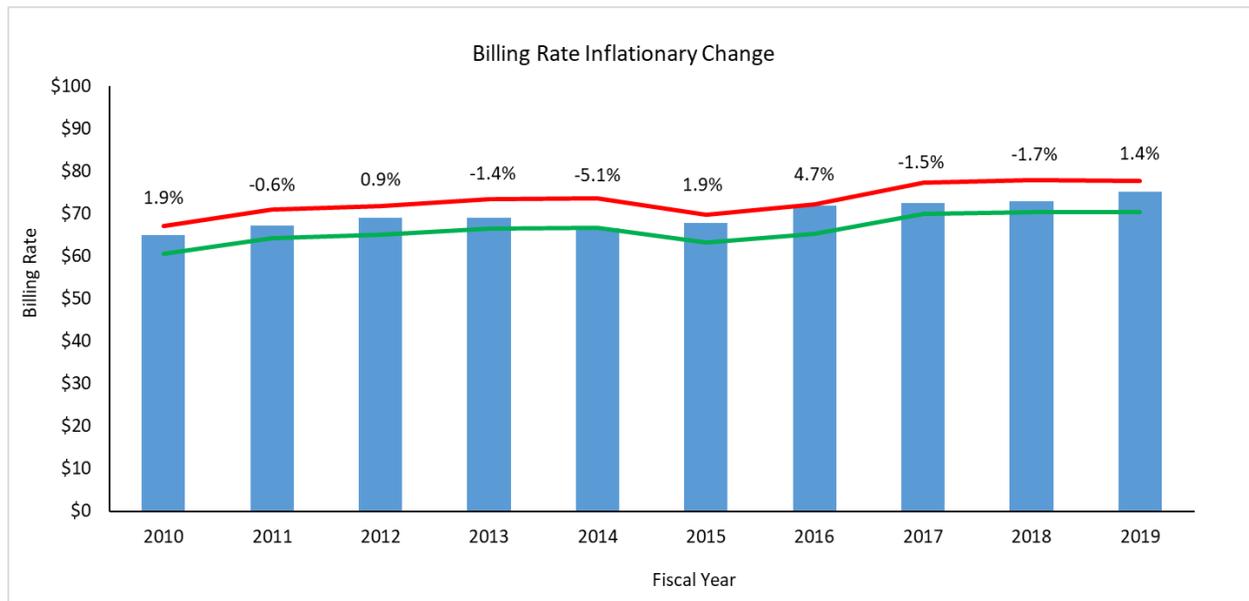
The performance benchmark is established as maintaining changes in the billing rate between + 5% and – 5% of the neutral inflationary rate. This benchmark is based on historical experience.

## Time Period & Trend

Results are calculated for 10 fiscal years. Trend data is developed using changes in both the actual billing rate and the rate of inflation.

## Charting

The chart shows KPI values (blue columns for the actual billing rate and percentage values showing above or below the inflationary rate) and the performance benchmarks (red and green lines).



## Result

For FY 2019, our billing rate was 1.4% above the neutral inflationary rate, which is within our benchmark target range of  $\pm 5\%$ . After 2 years of declines relative to inflation, some above-inflation increases should be expected. Another factor driving the billing rate increase was increased budget authority for LAD following reductions that were applied in FY 2018.

# PROJECT HOURS BUDGET ACCURACY

## Description

Budget accuracy measures productivity and efficiency by comparing the amount of time estimated for projects with the actual time spent to complete. Budget accuracy is expressed as a percentage of the difference between the original target/estimate hours for a project and the actual hours recorded. The budget accuracy rate is calculated for every budgeted project and the KPI result reflects the average for all projects.

## Performance Benchmark

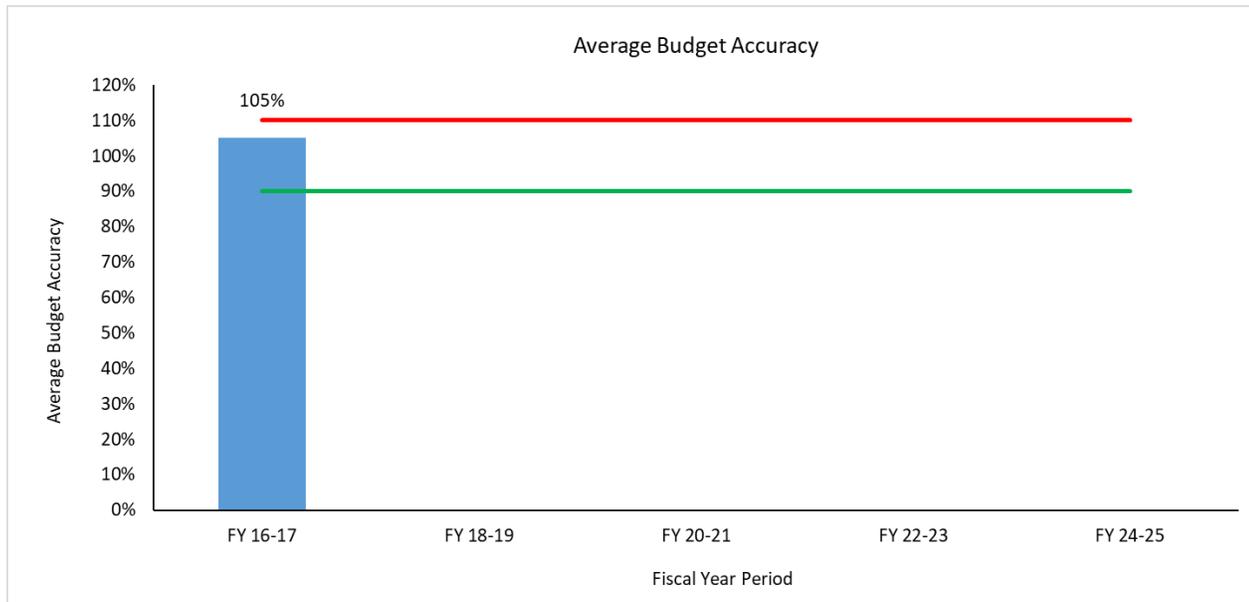
The benchmark is established at  $\pm 10\%$  of the original budget (100%) and is based on prevailing industry standards and historical experience.

## Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmarks (green and red lines).



## Result

For the FY 16-17 period, our projects averaged 105% of budgeted hours, meaning we averaged 5% in excess of targeted hours. This is within our benchmark range of  $\pm 10\%$  of budgeted hours and demonstrates appropriate levels of control over workload, productivity and efficiency. This indicator will be updated for FY 2018-2019 when data becomes available prior to the next regular legislative session.

# TIMELY PROJECT COMPLETION

## Description

Timely completion measures productivity and efficiency by comparing the initial target date with the actual date an audit report is delivered for release. Timely completion is expressed as the average number of days under/over the initial target date based on the actual difference in days for each individual project. Timely completion is calculated for projects over a 2-year/biennial audit period and the KPI result reflects the average for all projects.

## Performance Benchmark

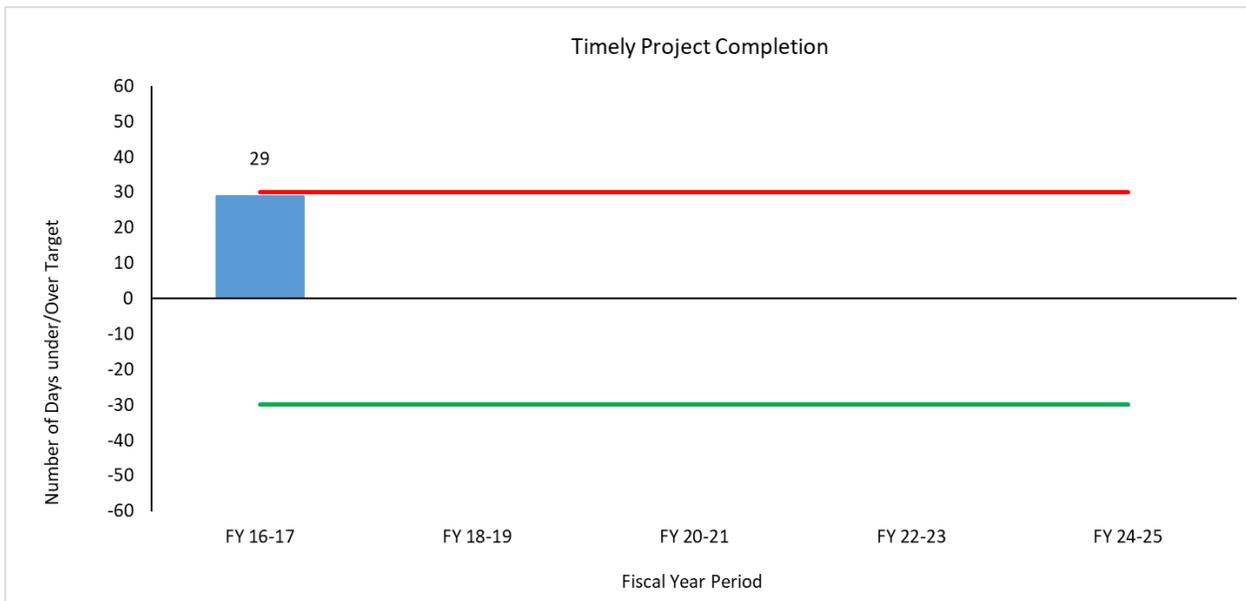
The benchmark is established at  $\pm 30$  days average of estimated timelines and is based on prevailing industry standards and historical experience.

## Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmarks (green and red lines).



## Result

For the FY 16-17 period, our projects were delivered an average of 29 days in excess of the established deadline. This is just within our performance benchmark of  $\pm 30$  days and demonstrates productivity and efficiency in delivering products in a timely manner. This indicator will be updated for FY 2018-2019 when data becomes available prior to the next regular legislative session.

# TIMELY HOTLINE RESOLUTION

## Description

Timely resolution of Hotline cases measures productivity and efficiency in our management of cases reported via the LAD fraud, waste, and abuse Hotline. Each new case is logged at entry into our systems and tracked through the point where we officially assign a resolution status. The time elapsed in days between receiving and resolving a case is calculated, and the KPI reflects the average for all cases in a fiscal year.

## Performance Benchmark

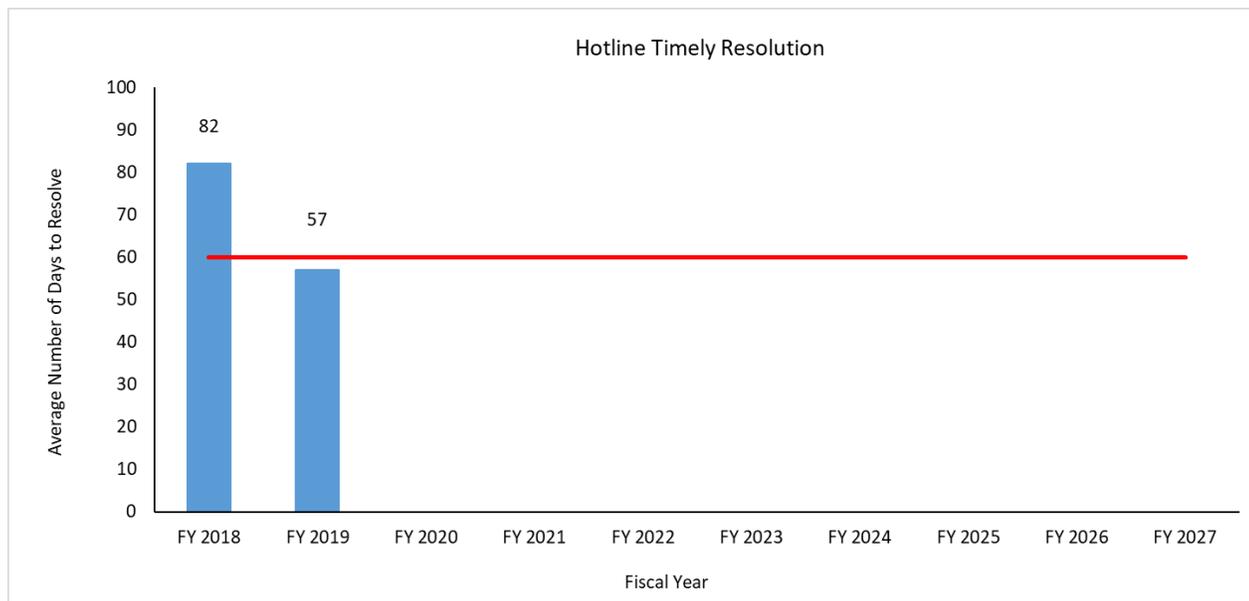
The benchmark is established at less than an average of 60 days for all cases and is based on prevailing industry standards and our own internal standard for case resolution timeliness.

## Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data will be shown for 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with average values above) and the performance benchmark (red line).



## Result

For FY 2019, the average number of days to resolve Hotline cases was 57. This is within our benchmark of 60 days and is a significant improvement on the prior year. Updated internal processes and increased familiarity with our new Hotline reporting system have contributed to decreasing turnaround times for handling Hotline cases.

# VALUE-ADDED IMPACTS

## **Description**

Development of this measurement is pending. Value-added impacts will be an outcomes-oriented metric that seeks to quantify the impacts of work in monetary terms. The closest comparison will be operational metrics measuring return on investment and reflecting value creation as an outcome of our work. Data will be developed or sourced internally. We may also incorporate financial data or other measures of value for state government as a whole for comparative purposes.

## **Performance Benchmark**

Performance benchmarks will be established based on recognized industry standards or historical experience and expectations.

## **Time Period & Trend**

Data will be developed on either a fiscal year or two-year/biennial basis. Trend data will be developed to show values for the past 10 fiscal years.

## **Result**

Many of our audit findings result in changes in operations or processes that have direct financial impacts or add value in other ways. The value-added impact of our work can come in different forms, including identifying errors or misstatements; eliminating unnecessary programs or activities; adjusting allocation of resources between different activities; reducing fraud, waste, or abuse; or cost savings/reductions/avoidance through efficiency measures or program improvements. Our past efforts to quantify these impacts have been ad hoc or anecdotal in nature. Going forward, we intend to create a defined structure for measuring value added impacts and reporting results more consistently.

# RECOMMENDATION CONCURRENCE

## Description

Recommendation concurrence is an outcome metric that measures the extent to which agencies agree with the substance of our recommendations and commit to a meaningful response. The concurrence rate is the number of recommendations that agencies either concur or conditionally concur with as a percentage of the total number of recommendations addressed to agencies.

## Performance Benchmark

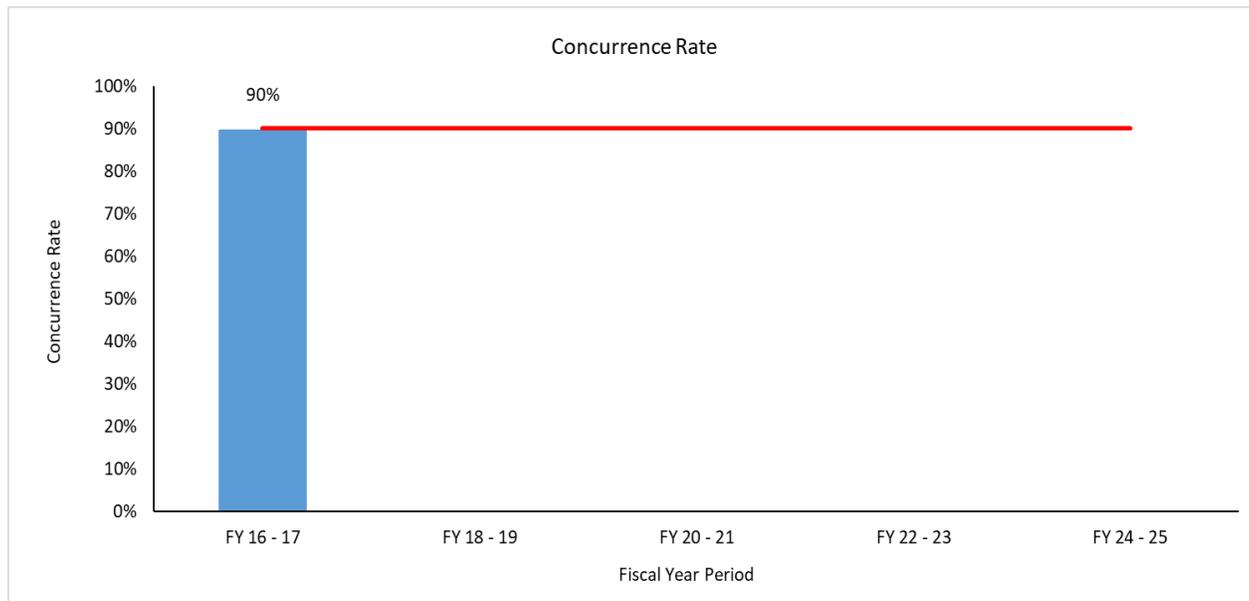
The performance benchmark of 90% concurrence is established to reflect industry norms and recognizes that in audit and accountability professions, some differences of opinion should be expected and that achieving 100% concurrence is neither normal nor necessarily achievable.

## Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).



## Result

For the FY 16-17 period, we had a recommendation concurrence rate of 90%, which exactly matches our benchmark minimum. Concurrence shows agencies are responding positively to audit recommendations and are planning to make substantive and meaningful changes to correct errors, improve their operations, and reduce costs. Higher concurrence rates indicate change is more likely to occur.

# RECOMMENDATION IMPLEMENTATION

## Description

Recommendation implementation measures the extent to which our recommendations have been fully implemented by agencies or through legislative action. The implementation rate is the number of recommendations that have or will be fully implemented as a percentage of the total number of recommendations.

## Performance Benchmark

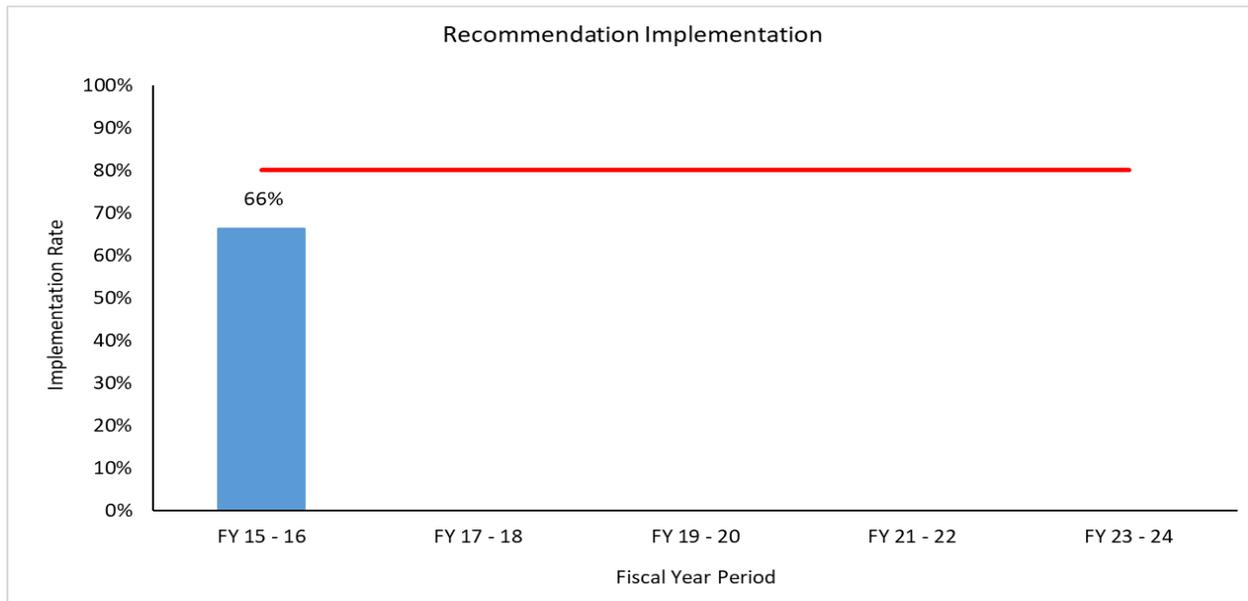
The performance benchmark of 80% implementation is established to reflect industry norms and recognizes that in audit and accountability professions, some differences of opinion should be expected and that achieving 100% implementation is challenging.

## Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

## Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).



## Result

For the FY 15-16 period, the implementation rate was 66%, which is significantly below our benchmark of 80%. Recommendations may not be fully implemented because agencies have decided not to implement parts or any aspects of recommendations, or because more time is required to implement changes. In the absence of legislative action to address these situations, opportunities to correct errors, improve operations, or reduce costs may be neglected